TOREX GOLD RESOURCES INC.

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2018

March 29, 2019

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GENERAL

Reference is made in this annual information form (the "**Annual Information Form**" or "**AIF**") to the audited consolidated financial statements (the "**Financial Statements**") for the years ended December 31, 2018 and December 31, 2017, together with the auditors' report thereon and management's discussion and analysis (the "**MD&A**") for Torex Gold Resources Inc. ("**Torex**" or the "**Company**") for the year ended December 31, 2018.

The Financial Statements are available under the Company's profile on SEDAR at www.sedar.com. All financial information in this Annual Information Form is prepared in accordance with International Financial Reporting Standards ("**IFRS**") unless otherwise stated.

Unless otherwise noted herein, information in this Annual Information Form is presented as at March 29, 2019.

In this AIF, references to "$" refer to United States dollars and all references to "C$" refer to Canadian dollars. On March 29, 2019, the daily exchange rate as quoted by the Bank of Canada was US$1.3363=C$1.00 and C$0.7483=US$1.00.

All references in this AIF to the Company also include references to all subsidiaries of the Company as applicable, unless the context requires otherwise.

STATEMENT REGARDING FORWARD LOOKING INFORMATION

This AIF contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian and United States securities legislation. Forward-looking information includes, but is not limited to, information with respect to the future exploration, development and exploitation plans concerning the Morelos Gold Property (as defined herein), the adequacy of the Company's financial resources, business plans and strategy and other events or conditions that may occur in the future, the near-term, mid-term and long-term opportunities of the Property, the goal to discover new mineralization and upgrade mineralization and mineral resources to categories of greater confidence levels including the goal to upgrade and discover additional mineral resources to sustain and extend the ELG Underground, plans to seek opportunities to acquire assets in the Americas that enable profitable and effective geographic diversification, and plans to complete significant testing of the Muckahi mining system by the end of 2019, the results set out in the Technical Report (as defined herein) including the preliminary economic assessment ("**PEA**") of the Media Luna Project (as defined herein), the mineral resource and mineral reserve estimates, the ability to exploit estimated mineral reserves, the continued profitability of the ELG Mine Complex (as defined herein) with positive economics from mining, recoveries, grades, annual production, receipt and maintenance of all necessary approvals and permits, the parameters and assumptions underlying the mineral resource and mineral reserve estimates and the financial analysis, and gold prices, the timing and completion of the ramp up of processing facilities of the ELG Mine Complex and achieving full production, the ability to maintain the safety and security of the ELG Mine Complex, the plans to continue to achieve incremental improvements through implementing enhancements to operating and maintenance practices, continued development of the ELG Underground and associated construction, expected metal recoveries and the ability of the Company to manage blending and production smoothing opportunities, gold production (including without limitation the estimated gold sales by year), total cash costs per ounce of gold sold, AISC and revenues from operations, the expectation that the Company will be able to generate sufficient cash flow to satisfy the financial covenants under the Debt Facility (defined herein) and service the debt on a timely basis, the ability to satisfy other significant covenants under the Debt Facility, the ability to mine and process estimated mineral reserves, plans to continue follow-up diamond drilling of the ELG Underground exploration targets and advancement of the Media Luna Project, the continued operation of the sulfidization, acidification, recycling and thickening ("**SART**") plant, plans to fine tune the SART plant and the

expectation that the SART will permanently address the elevated levels of cyanide soluble copper in the ore, the expected net benefit, including cost saving, from the operation of the SART plant, the expected continued operation of the tailings filtration plant at design levels, plans to stockpile low grade material for potential future processing, the expected continued supply of power and water to meet their requirements of the operations, plans to rebuild instead of replace certain mobile equipment, plans to phase out contractor maintenance of mobile equipment, further advances of funds if required pursuant to the Debt Facility (which is subject to certain customary conditions precedent, which currently prevents further funds from being drawn), and the expected timing and receipt of value added tax ("**VAT**") funds.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "goal," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," or "believes" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will be taken," "occur," or "be achieved." Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with: the safety and security of the Company's properties, illegal blockades, the ramp-up of the ELG Mine Complex, fluctuation in gold and other metal prices, parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect, liquidity risk, price fluctuations in consumed commodities, limited number of suppliers for consumed commodities, currency exchange rate fluctuations, capital and operational cost estimates, dependence on key executives and employees, foreign operations and political and country risk, limited operating history, generating positive cash flow, the ability of the Company to secure additional financing, risk of dilution to holders of common shares (the "**Common Shares**") in the Company, servicing of the indebtedness of the Company, the ability to secure necessary permits and licenses, title to the land on which the Company operates, including surface and access rights, government policies and practices in respect of the administration of recovery of VAT funds and recovery of VAT funds, risks related to operations in multiple tax jurisdictions, exploration, development, exploitation and the mining industry generally, reputational risks, environmental risks and hazards, risks pertaining to changes in climate conditions, decommissioning and reclamation costs, actual results of current exploration, development and exploitation activities not being consistent with expectations, potential litigation, hiring the required personnel and maintaining personnel relations, recent history of earnings and no history of paying dividends, infrastructure, single property focus, use and reliance of experts outside Canada, competition, hedging contracts, interest rate risk, insurance for risks insured by the Company continue to be available and adequate to cover liabilities, price and volatility of public stock, risks related to activist shareholders, conflicts of interest of certain personnel, credit risk, compliance with anti-corruption laws and the *Extractive Sector Transparency Measures Act* ("**ESTMA**"), enforcement of legal rights, accounting policies and internal controls, risks and uncertainties associated with the development of the Muckahi mining system, as well as those risk factors included herein and elsewhere in the Company's public disclosure.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the Company's ability to carry on its exploration, development and exploitation activities planned for the Morelos Gold Property, ability to seek and acquire high quality assets to achieve

geographic diversification, completing the ramp-up of the processing plant at the ELG Mine Complex, including, timely access to the high grade material, the continued development of the ELG Underground, as planned, and associated construction, continued operation of the SART plant, continued cost savings and revenue, expected results from the fine tuning of the SART plant, the timing and receipt of any required approvals and permits, the price of gold, sufficient cash flow to satisfy the financial covenants under the Debt Facility and service its indebtedness, the ability of the Company to obtain qualified personnel, equipment, goods, consumables and services in a timely and cost-efficient manner, the ability of the Company to operate in a safe, efficient and effective manner, the ability of the Company to maintain the support of local communities, the ability of the Company to lift or remove any future blockades from the Company's facilities, the ability of the Company to obtain financing on acceptable terms, the ability of the Company to access the Morelos Gold Property, the accuracy of the Company's mineral resource and mineral reserve estimates, annual production, the financial analysis contained in the Technical Report including the PEA, as updated by the new mineral resource estimate, mineral reserve estimate and LOM and any updated technical information contained herein, and geological, operational and price assumptions on which these are based and the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

DIFFERENCES IN REPORTING OF MINERAL RESOURCE ESTIMATES

This AIF was prepared in accordance with Canadian standards for reporting of mineral resource estimates, which differ in some respects from United States standards. In particular, and without limiting the generality of the foregoing, the terms "inferred mineral resources," "indicated mineral resources," "measured mineral resources" and "mineral resources" used or referenced in this AIF are Canadian mineral disclosure terms as defined in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") under the guidelines set out in the 2014 Canadian Institute of Mining, Metallurgy and Petroleum Standards for Mineral Resources and Mineral Reserves, Definitions and Guidelines, May 2014 (the "**CIM Standards**"). Until recently, the CIM Standards differed significantly from standards in the United States. The U.S. Securities and Exchange Commission (the "**SEC**") has adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC under the *U.S. Securities Exchange Act of 1934*, as amended (the "**Exchange Act**"). These amendments became effective February 25, 2019 (the "**SEC Modernization Rules**") with compliance required for the first fiscal year beginning on or after January 1, 2021. The SEC Modernization Rules replace the historical property disclosure requirements for mining registrants that were included in SEC Industry Guide 7, which will be rescinded from and after the required compliance date of the SEC Modernization Rules. As a result of the adoption of the SEC Modernization Rules, the SEC now recognizes estimates of "measured mineral resources", "indicated mineral resources" and "inferred mineral resources". In addition, the SEC has amended its definitions of "proven mineral reserves" and "probable mineral reserves" to be "substantially similar" to the corresponding definitions under the CIM Standards, as required National Instrument 43-101. Accordingly, during this period leading up to the compliance date of the SEC Modernization

Rules, information regarding mineral resources or mineral reserves contained or referenced in this AIF may not be comparable to similar information made public by United States companies.

Readers are cautioned that "inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies, except in limited circumstances. The term "resource" does not equate to the term "reserves". Readers should not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. Readers are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Company has presented certain non-IFRS measures in this document. The Company believes that these measures, while not a substitute for measures of performance prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

Total cash costs

Total cash costs is a common financial performance measure in the gold mining industry; however, it has no standard meaning under IFRS. The Company reports total cash costs on a per ounce sold basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as costs of sales, certain investors use this information to evaluate the Company's performance and ability to generate operating income and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating costs. Other companies may quantify this measure differently as a result of different underlying principles and policies applied.

All-In Sustaining Costs

AISC is a common financial performance measure in the gold mining industry; however, it has no standard meaning under IFRS. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as cost of sales and cash flows from operations, certain investors use this information to evaluate the Company's operating performance and its ability to generate free cash flow from current operations. Management uses this metric as an important tool to monitor operating and capital costs.

Torex reports AISC in accordance with the guidance issued by the WGC in June 2013. The WGC definition of AISC seeks to extend the definition of total cash costs by adding corporate general and administrative costs, reclamation and remediation costs (including accretion and amortization), exploration and study costs (capitalized and expensed), capitalized stripping costs, sustaining capital expenditures and sustaining leases and represents the total costs of producing gold from current operations. AISC exclude income tax payments, interest costs, costs related to business acquisitions and items needed to normalize earnings. Consequently, these measures are not representative of all of the Company's cash expenditures. In addition, the calculation of AISC does not include depreciation expense as it does not reflect the impact of expenditures incurred in prior periods. Therefore, it is not indicative of the Company's overall profitability. Other companies may quantify these measures differently because of different underlying principles and policies applied. Differences may also occur due to different definitions of sustaining versus non-sustaining capital.

In November 2018, the WGC updated its guidance for all-in-sustaining costs. The Company adopted the updated guidance beginning January 1, 2019 as recommended by the WGC.

Reconciliation of Total Cash Costs and All-in Sustaining Costs to Cost of Sales

In millions of U.S. dollars, unless otherwise noted		Year Ended December 31, 2018	Year Ended December 31, 2017
Gold sold	oz	347,640	248,797
Total cash costs per ounce sold			
Production costs and royalties [1]	$	229.3	179.0
Less: Silver sales	$	(3.0)	(2.5)
Less: Copper sales	$	(1.6)	-
Total cash costs	$	224.7	176.5
Total cash costs per ounce sold	$/oz	646	709
All-in sustaining costs per ounce sold			
Total cash costs	$	224.7	176.5
General and administrative costs [2]	$	21.0	18.9
Reclamation and remediation costs	$	1.9	1.3
Sustaining exploration costs [3]	$	1.3	-
Sustaining capital expenditure [4]	$	86.1	49.3
Total all-in sustaining costs	$	335.0	246.0
Total all-in sustaining costs per ounce sold	$/oz	964	989

1. Included within production costs and royalties is the cash component of an inventory impairment charge for long-term, low-grade stockpiles planned for processing at the end of the Company's LOM of $1.5 million or $4/oz for the year ended December 31, 2018.
2. Includes share-based compensation in the amount of $7.4 million, or $21/oz for the twelve months ended December 31, 2018.
3. Sustaining exploration costs for the twelve months ended December 31, 2018 exclude $4.2 million of evaluation costs in relation to Muckahi, a new mining technology that the Company is developing.
4. Based on additions to property, plant and equipment per the Statement of Cash Flows for the twelve months ended December 31, 2018, of $123.8 million. Before changes in net working capital for the twelve months ended December 31, 2018, of $7.3 million, capital expenditures for the twelve months ended December 31, 2018 totalled $116.5 million. Sustaining capital expenditures in the twelve months ended December 31, 2018 of $86.1 million include $61.4 million for the cash component of capitalized stripping activities, and $24.7 million for sustaining equipment and infrastructure expenditures. Non-sustaining capital expenditures of $30.4 million in the twelve months ended December 31, 2018 relating to the SART plant, the El Limón Deep tunnel, the Sub-Sill, and the Media Luna Project, have been excluded from AISC.

Average Realized Price and Average Realized Margin

Average realized price and average realized margin per ounce of gold sold are used by management to better understand the gold price and margin realized throughout a period.

Average realized price per ounce of gold sold is quantified as revenue per the Statement of Operations and Comprehensive Income (Loss) and includes realized gains and losses on gold derivative contracts, if any, less silver and copper sales. Average realized margin reflects average realized price per ounce of gold sold less total cash costs per ounce of gold sold.

The average realized price for the twelve months ended December 31, 2018 was $1,261 compared to $1,254 in the twelve months ended December 31, 2017. The increase is a result of higher average spot prices in 2018 compared to 2017.

The average realized margin for the twelve months ended December 31, 2018 was $615 per ounce compared to $545 per ounce for the twelve months ended December 31, 2017. The increase primarily reflects lower total cash costs and the increase in average spot prices.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

		Year Ended	
In millions of U.S. dollars, unless otherwise noted		**December 31, 2018**	**December 31, 2017**
Gold sold	oz	347,640	248,797
Revenue	$	442.9	314.9
Less: Silver sales	$	(3.0)	(2.5)
Less: Copper sales	$	(1.6)	-
Less: Realized loss on Gold Contracts	$	-	(0.5)
Total proceeds	$	438.3	311.9
Total average realized price per ounce	$/oz	1,261	1,254
Less: Total cash costs per ounce	$/oz	646	709
Total average realized margin per ounce	$/oz	615	545

Adjusted Net Earnings (Loss)

Adjusted net earnings (loss) and adjusted net earnings (loss) per share (basic and diluted) are used by management and investors to measure the underlying operating performance of the Company. Presenting these measures from period to period helps management and investors evaluate earnings trends more readily in comparison with results from prior periods.

Adjusted net earnings (loss) is defined as net income (loss) adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as: the impact of foreign exchange gains and losses, non-cash unrealized gains and losses on derivative contracts, impairment provisions (if any), the tax effect of currency translation on tax base, and other non-recurring items, net of tax.

Adjusted net earnings (loss) per share amounts are calculated using the weighted average number of shares outstanding on a basic and diluted basis as determined under IFRS.

Beginning in the second quarter of 2018, the Company updated adjusted net earnings (loss) to include the tax effect of currency translation on tax base to better reflect the underlying operating performance of the Company. Comparatives have been restated.

Adjusted net earnings for the year ended December 31, 2018 was $19.7 million, compared to the adjusted net loss of $24.8 million for the year ended December 31, 2017. The increase in adjusted net earnings is largely due to higher net income, partially offset by the tax effect of currency translation on tax base.

Reconciliation of Adjusted Net Earnings (Loss) to Net Income (Loss)

		Year Ended	
In millions of U.S. dollars, unless otherwise noted		**Dec 31, 2018**	**Dec 31, 2017** [1]
Basic weighted average shares outstanding	shares	84,365,072	79,796,545
Diluted weighted average shares outstanding	shares	84,519,275	79,796,545
Net income (loss)	$	23.2	(12.6)
Adjustments, after-tax:			
Unrealized foreign exchange (gain) loss	$	(1.9)	(2.3)
Unrealized (gain) loss on derivative contracts	$	(1.9)	0.6
Tax effect of adjustments	$	1.1	(0.1)
Tax effect of currency translation on tax base [1]	$	(0.8)	(10.4)
Adjusted net earnings (loss)	$	19.7	(24.8)
Per share - Basic	$/share	0.23	(0.31)
Per share - Diluted	$/share	0.23	(0.31)

1. Beginning in the second quarter of 2018, the Company updated adjusted net earnings (loss) to include the tax effect of currency translation on tax base. Comparatives have been restated.

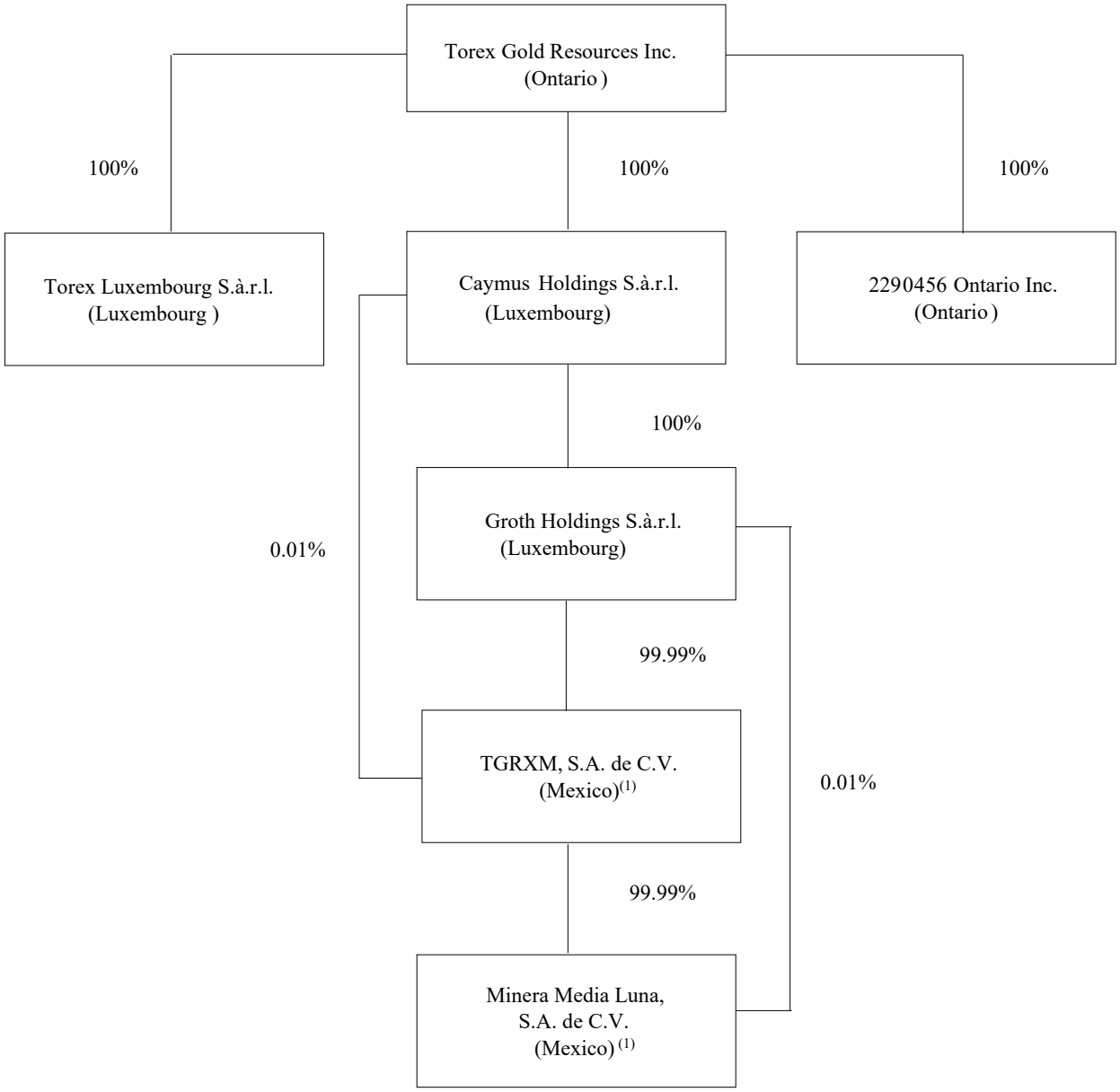
CORPORATE STRUCTURE

Name, Address and Incorporation

Torex Gold Resources Inc. was incorporated under the *Company Act* of British Columbia on November 13, 1980 under the name Pulsar Energy & Resources Inc. The Company filed notices of amendment on (i) November 30, 1987 to change its name to Star One Resources Inc.; (ii) June 26, 1989 to change its name to Hyder Gold Inc.; and (iii) August 3, 2006 to change its name to Gleichen Resources Ltd. On April 30, 2010, the Company continued its corporate jurisdiction into the Province of Ontario under the *Business Corporations Act* (Ontario) and changed its name to Torex Gold Resources Inc. The head and registered office of the Company is located at 130 King Street West, Suite 740, Toronto, Ontario M5X 2A2.

Effective January 1, 2019, Minera Media Luna, S.A. de C.V. ("**MML**") and TGRXM2010, S.A. de C.V. ("**TGRXM2010**"), each a wholly-owned subsidiary of Torex, merged pursuant to articles 222 and 225 of the *Ley General de Sociedades Mercantiles* of Mexico with MML being the surviving entity.

The following chart illustrates the inter-corporate relationships of the Company and each of its subsidiaries following the merger of MML and TGRXM2010:



Note to Corporate Structure Chart:

1. The shares of TGRXM, S.A. de C.V., TGRXM2010 and MML were pledged/conveyed to a Mexican security trustee as security for the obligations under the Credit Agreement (as defined below) for the US$400 million Debt Facility and related documents. Each of Caymus Holdings S.à.r.l, Groth Holdings S.à.r.l and TGRXM, S.A. de C.V. continue to be the beneficial owners of the relevant shares. In connection with the merger, effective January 1, 2019, the shares of TGRXM2010 were cancelled and in exchange the shareholders of TGRXM2010 received additional shares of MML.

DESCRIPTION OF THE BUSINESS

The Company is a Canadian-based resource company engaged in the exploration, development and operation of its 100% owned Morelos gold property (the "**Morelos Gold Property**" or the "**Property**"). The Morelos Gold Property is located in the Guerrero Gold Belt in southern Mexico, approximately 180 kilometres to the southwest of Mexico City and 50 kilometres southwest of Iguala, and consists of seven mineral concessions covering a total area of approximately 29,000 hectares. The Company's principal assets are the El Limón Guajes mining complex (the "**ELG Mine Complex**"), comprised of the El Limón, Guajes and El Limón Sur open pits (the "**ELG Open Pits**"), the El Limón Guajes underground mine including zones referred to as Sub-Sill and El Limón Deep (collectively, the "**ELG Underground**"), and the processing plant and related infrastructure, which is in commercial production stage as of April 1, 2016. The Media Luna deposit (the "**Media Luna Project**"), which is an early stage development project, and for which the Company issued an updated preliminary economic assessment in 2018, is considered to be separate from the ELG Mine Complex. Certain sections of the information contained in this AIF refer to the Company's assets prior to the discovery and development of the ELG Underground. Such sections of the AIF, in particular the information and excerpts from the Technical Report, refer to the "**ELG Mine**" which means collectively, the ELG Open Pits, processing facilities and related infrastructure. The Company's principal subsidiary, TGRXM, S.A. de C.V., is a Mexican-based holding company whose sole business is to hold shares of the Mexican-based subsidiary, MML, which is the registered holder of the Morelos Gold Property. See "*Material Properties – Morelos Gold Property*".

The Company's strategy is to grow production from high quality assets. The Morelos Gold Property provides significant opportunity to implement this strategy. The Media Luna Project provides mid-term growth potential. The developing ELG Underground provides near-term growth opportunity in both the Sub-Sill and the El Limón Deep ("**ELD**") zone. The many untested exploration targets on this prolific property provide long-term growth opportunities. In addition to realizing the full potential of the Morelos Gold Property, the Company will seek opportunities to acquire assets in the Americas that enable profitable and effective geographic diversification.

Details regarding the Morelos Gold Property generally and in particular ELG Mine and Media Luna Project, are set out under the subheading "*Material Properties – Morelos Gold Property – Summary of the Technical Report*", and additional details regarding the ELG Mine Complex and Media Luna Project are set out in "*Material Properties – Morelos Gold Property – Developments Since the Effective Date of the Technical Report*".

GENERAL DEVELOPMENT OF THE BUSINESS

Developments in 2019 to date of AIF

Muckahi[1]

Initial components and equipment of a proprietary mining system ("**Muckahi**") arrived at the ELG Mine Complex in the first quarter of 2019. A single boom jumbo drill is being tested and the first blast was successfully completed. Significant testing of the Muckahi mining system is expected to be completed by the end of 2019.

[1] It is important to note that Muckahi is experimental in nature and has not been tested in an operating mine. Many aspects of the systems are conceptual, and proof of concept has not been demonstrated.

ELG Underground

The Company completed the installation of the ventilation, the backfill plant and the electrical connection to the power grid for the ELG Underground in the first quarter of 2019.

Infill Drilling on El Limón Deep[2]

The Company announced results from the first 34 holes of its infill drill program targeting the ELD zone. The Company plans to use the information for future updates of mineral reserve and mineral resource estimates. The ELD zone is the downdip extension of mineralization below the El Limón open pit. Highlights from this program include 25.0 g/t Au over 8.5m in borehole LDUG-026, 24.9g/t Au over 7.5m in borehole LDUG-013, 16.8g/t Au over 15.2m in borehole LDUG-021, and 12.5g/t Au over 45.9m in borehole LDUG-002. The deposit remains open down dip and along strike.

Developments in Fiscal 2018

Operations

- Record gold production at the top end of guidance of 353,947 ounces.
- Mine production for the year totalled 32,625 kt, averaged 93,214 tpd.
- Mine ore production for the year totalled 4,329 kt, averaged 12,368 tpd.
- Grade mined in the year averaged 2.69 gpt.
- Plant throughput continued to accelerate in the fourth quarter achieving 1,197 kt, averaged 13,011 tpd. Plant throughput in the year of 4,152 kt, averaged 11,863 tpd.
- Grade processed in the year averaged 2.97 gpt.
- Gold recovery averaged 87% in the year, consistent with design expectations.
- Due to the Blockade (defined herein), operating results for the year ended December 31, 2018 were impacted and represent approximately eleven and a half months of operations, including approximately three months of partial operations during the Blockade.
- The ramp up of all operations, post the Blockade, went smoothly with steadily increasing production.
- The debottlenecking of the SAG mill has advanced to 93% of design rates as technical solutions have been implemented. There is a capital expenditure solution that could close the gap to design rates, but it is not considered to be an effective use of capital. Instead, the focus will be on squeezing out incremental improvements through enhancements to operating and maintenance practices.
- The construction of the SART plant was completed on schedule in the second quarter of 2018 and is now in full operation. The operations team continues to fine tune the operating parameters to adjust to variation in the mineralogy of the processed ores.

2 For more information on the drill results, see the Company's news release titled "Torex Announces Positive Results from its First Infill Program Targeting the El Limon Deep (ELD) Zone" issued on February 13, 2019, and filed on SEDAR at www.sedar.com and on the Company's website at www.torexgold.com

Updated Technical Report

- The Company completed an updated Technical Report including an LOM plan for the ELG Mine Complex, that has increased average annual gold production to 430,000 ounces per year, from 2019 to 2023.
- The Technical Report contains an updated Media Luna PEA,[3] with an after-tax NPV discounted at 5% of $582.0 million, and an after-tax IRR of 27%. For purposes of illustration, the Technical Report includes a Media Luna design utilizing a conceptual new underground mining technology that Torex is developing. The new technology, called the Muckahi mining system,[4] shows the potential to increase the Media Luna Project, NPV by $197.0 million and after-tax IRR to 46%. If proven, the Muckahi technology could be applicable to many other underground deposits.

Initial results from the Media Luna Infill diamond drilling program[5]

- The goal of the Media Luna infill drilling program is to upgrade approximately 25% of the inferred resource to the measured and indicated confidence categories, which are suitable for inclusion in a feasibility study.
- Highlighted intercepts from the first 23 holes include 10.5 gpt Au Eq. over 39.2m in borehole ML18-222A, 7.0 gpt Au Eq. over 49.6m in borehole ML18-215, 7.1 gpt Au Eq. over 45.9m in borehole ML18-219W and 8.3 gpt Au Eq. over 22.6m in borehole ML18-208W.
- There are currently 6 drills active on the Media Luna Project. On average each drill completes two holes per month, which indicates completion of the program by the end of 2019.

Continued exploration in the Sub-Sill zone[6]

- The Company announced the results from 57 holes, from its infill and step-out drilling programs in the Sub-Sill zone. Highlighted intercepts include 30.2g/t Au over 8.1m in borehole SST-101, 48.9g/t Au over 3.6m in borehole SST-118 and 34.4g/t Au over 4.6m in borehole SSUG-059. The deposit remains open in several directions.
- Subsequently, the Company updated the mineral reserve and mineral resource estimate for the Sub-Sill zone based on information from mining and additional drilling information. See "*Material Properties – Moreolos Gold Property – Developments since the Effective Date of the Technical Report – Updated Mineral Reserve and Mineral Resource Estimates for the ELG Open Pit and ELG Underground*".

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[3] A preliminary economic assessment should not be considered a prefeasibility study or feasibility study, as the economics and technical viability of the Media Luna Project have not been demonstrated at this time. The Media Luna PEA (as defined in this AIF) is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. It cannot be assumed that all or any part of the inferred mineral resources will ever be upgraded to a higher category. Furthermore, there is no certainty that the conclusions or results as reported in the Media Luna PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

4 The Media Luna PEA includes information on the Muckahi mining system. The PEA economics for the Media Luna Project in the Technical Report (as defined in this AIF) are based on conventional mining methods. In addition, Muckahi, a Torex proprietary mining method, is introduced and described in the Technical Report. The Technical Report uses the Media Luna Project as a platform for comparison to demonstrate the potential benefits that could be possible if the Muckahi method is proven and ultimately applied to the Media Luna Project, or any other deposit that does not employ caving methods. It is important to note that Muckahi is experimental in nature and has not been tested in an operating mine. Many aspects of the systems are conceptual, and proof of concept has not been demonstrated.

[5] For more information on the drill results, see the Company's news release titled "Torex Reports Initial Results from the Media Luna In-fill Diamond Drilling Program" issued on October 25, 2018, and filed on SEDAR at www.sedar.com and on the Company's website at www.torexgold.com.

[6] For more information on the drill results, see the Company's news release titled "Torex Reports Continued Exploration Success In the Sub-Sill Zone" issued on November 20, 2018, and filed on SEDAR at www.sedar.com and on the Company's website at www.torexgold.com.

Financial results for the Year

- Record gold sold for the year was 347,640 ounces for total proceeds of $438.3 million at an average realized gold price[7] of $1,261 per ounce.
- Revenue was $442.9 million and cost of sales was $334.7 million, or $963 per ounce of gold sold.
- Earnings from mine operations were $108.2 million.
- Income before income tax was $60.4 million.
- Net income after current and deferred income tax expense was $23.2 million, or $0.27 per share on a basic and diluted basis.
- Adjusted net earnings[7], which excludes, amongst other items, certain foreign exchange gains and losses, totalled $19.7 million, or $0.23 per share on a basic and diluted basis.
- Cash flow from operations totalled $226.8 million.
- Cash balances as at December 31, 2018 totalled $149.0 million (including restricted cash of $26.8 million).
- Total cash costs[7] per ounce of gold sold of $646.
- AISC[7] per ounce of gold sold of $964.
- Principal repayments of $56.3 million were made to reduce the Company's debt to $333.5 million.
- Passed the Operating Covenant for the six months ended December 31, 2018. There are no further operating covenants under the Debt Facility, which makes it less constricted, and provides the Company with alternatives for redirecting the restricted cash balance.
- Due to the Blockade, financial results for the year ended December 31, 2018 were impacted and represent approximately eleven and a half months of operations, including approximately three months of partial operations during the Blockade.

Community

As part of the ongoing integration of the communities, monthly community meetings have been established at regular times within all the stakeholder communities associated with the ELG Mine Complex. These meetings are open to all community members (not just leaders) and are open format – anyone can ask questions. This provides an opportunity for the Community Relations Team ("**CR Team**"), and hence the ELG Mine Complex operation, to understand the evolving community concerns. The meetings allow for the flow of information from the community and to the community.

The Company's community development agreements allow an opportunity for communities to determine which projects the Company will support within the total funds made available to the community. During the fourth quarter of 2018, the CR Team worked with the local communities to define their respective projects and budgets for 2019. This process provides the community a direct link tying the financing of their projects to the success of the Company – the agreements define the community gains and what would be lost in the case of a business interruption, thus garnering more support for the operation from the less involved members of the community.

[7] Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

Debt Facility

The Credit Agreement for the Debt Facility requires a minimum reserve tail ratio of 30%. In September 2018, the Lenders (as defined herein) agreed to waive compliance with the reserve tail covenant for purposes of the 2018 mine plan so that the Company could submit an alternative optimized mine plan that meets the requirements of the Credit Agreement, except as it relates to the reserve tail covenant. This consent is effective until the Waiver End Date (as defined herein). In the event that the mine plan delivered by the Company pursuant to the Credit Agreement following the end of fiscal 2018 is neither an RTR Compliant Mine Plan nor an RTR Floor Non-Compliant Mine Plan (each as defined herein), the Company shall from and including November 15, 2019 and on each quarterly date thereafter until the Waiver End Date, prepay outstanding credit under the Credit Agreement in an amount equal to the RTR Prepayment Amount (as defined herein). See "*Financing Agreements – Debt Facility*" section of this AIF for details of the waiver.

Blockade Ended and Full Access Restored

Illegal blockade activities (the "**Blockade**"), which began in November 2017 with the illegal blockade of the ELG Mine Complex access gate by members of Los Mineros Union (as defined herein) demanding a change in the union, ended and full access was restored in April 2018. In mid-January 2018, with the help of the communities of Valerio Trujano and Nuevo Balsas, the Company was able to regain access to the ELG Mine Complex and re-start operations. On January 26, 2018, the Governor of Guerrero State acted to remove the illegal blockaders from the ELG Mine Complex resulting in the Company regaining access to the main plant access gate. In late-February there was an incursion onto the site, this time to the El Limón Pit, where another blockade was established. On April 6, 2018, after a negotiation with community leaders that the Company was not a party to, the supporters of Los Mineros Union ended their Blockade. On April 10, 2018, the Company received notification that the Los Mineros Union had withdrawn their application to challenge the incumbent union, to be the union to represent the Company's union-eligible employees. Further details are provided in the "*General Development of the Business – Developments in Fiscal 2017 – Illegal Blockade*", "*General Development of the Business – Illegal Blockade*" and "*Risk Factors – Illegal Blockade*" sections of this AIF.

Equity Financing

On January 29, 2018, the Company announced that it had entered into an agreement with a syndicate of underwriters led by BMO Capital Markets, under which the underwriters agreed to purchase, on a "bought deal" basis, 4,370,000 Common Shares at a price of C$12.60 per Common Share for gross proceeds of approximately C$55.0 million (the "**Offering**"). The Offering closed on February 7, 2018 and resulted in aggregate net proceeds of C$58.5 million to the Company. As part of the Offering, the underwriters partially exercised their over-allotment option and purchased an additional 12% of the Offering with the remainder of the over-allotment option being exercised and closing on February 16, 2018, for aggregate net proceeds of C$60.0 million to the Company.

Executive Management

On January 18, 2018 the Company announced the departure of its Chief Financial Officer, Jeff Swinoga. Mr. Swinoga continued as acting Chief Financial Officer on an interim basis.

On February 16, 2018, the Company announced the appointment of Steven Thomas as Chief Financial Officer effective April 2, 2018.

On October 15, 2018, the Company announced the departure of its Chief Operating Officer, Jason Simpson and the appointment of Jody Kuzenko, as Chief Operating Officer, effective October 29, 2018, with an overlapping transition period to November 9, 2018.

Developments in Fiscal 2017

Illegal Blockade

Operating and financial results were negatively impacted by the Blockade. The Blockade resulted in a complete shutdown of operations from November 3, 2017 to January 15, 2018. With community and employee support, an alternative access to the plant was established, which by-passed the blockade and facilitated the re-start of operations on January 16, 2018. See "*General Development of the Business – Developments in Fiscal 2018 – Blockade Ended and Full Access Restored*", "*General Development of the Business – Illegal Blockade*" and "*Risk Factors – Illegal Blockade*" sections of this AIF.

As a result of the Blockade, revenues for the year ended December 31, 2017 were impacted and represent approximately ten months of operations. General, administrative and other expenses were higher in 2017 than in 2016 due to the blockade and other charges. Further, the Company incurred a net loss in 2017 due to higher operating costs and the Blockade.

Operations

- Gold produced totalled 240,873 ounces for the year.
- Mine production for the year totalled 26,450 kt, and averaged 86,156 tpd. Mine ore production for the year totalled 3,648 kt, and averaged 11,883 tpd.
- Average grade mined was 2.50 gpt.
- Plant throughput in the year, 3,710 kt, averaged 12,084 tpd, or 86% of design capacity in the year.
- Average grades processed in the year of 2.43 gpt.
- Gold recovery averaged 86% in the year, consistent with design expectations.
- The ramp up progressed well in 2016 and 2017 to approximately 90% of design capacity when the Blockade began on November 3, 2017.
- Soluble copper in the deposit was successfully managed with higher than design level consumption of reagents.

SART Plant

A decision was made in 2016 to install a SART plant in order to recycle and reduce the consumption of reagents that are used in association with the soluble copper and to recover the soluble copper as a salable product, construction of the SART plant continued in 2017 until the commencement of the Blockade. Construction re-started in the first quarter of 2018 after the Company regained access to the ELG Mine Complex.

Financial Results for the Year

- Net loss totalled $12.6 million, or $0.16 per share, on a basic and diluted basis.
- Adjusted net loss[8] totalled $14.3 million, or $0.18 per share on a basic and diluted basis.
- Earnings from mine operations totalled $54.7 million.
- Cash flow from operations totalled $73.6 million.

- Revenue totalled $314.9 million and cost of sales totalled $260.2 million, or $1,046 per ounce of gold sold.
- Gold sold totalled 248,797 ounces for total proceeds of $311.9 million at an average realized gold price[8] of $1,254 per ounce.
- Cash balances as at December 31, 2017 totalled $58.8 million (including restricted cash of $13.9 million).
- Total cash costs[8] of $709 per ounce of gold sold.
- AISC[8] of $989 per ounce of gold sold.

Amended and Restated Credit Agreement & Waiver

On July 21, 2017, the Company, through its subsidiary MML, signed an amended and restated credit agreement (the "**Credit Agreement**") with BNP Paribas, Commonwealth Bank of Australia, ING Capital LLC., and SG Americas Securities, LLC, as joint bookrunners and BMO Harris Bank N.A. and The Bank of Nova Scotia (the "**Lenders**") in connection with a secured $400 million debt facility (the "**Debt Facility**"). The Debt Facility is comprised of a $300 million term loan (the "**Term Facility**") and a $100 million revolving loan facility (the "**Revolving Facility**"). On July 25, 2017, the Company satisfied the requisite conditions and drew the full amount of the Term Facility and $75 million of the Revolving Facility to repay the Project Loan Facility (as defined herein) which was previously entered into with the Lenders for the construction of the ELG Mine Complex. See *"– Financings – Debt Facility"* for details on the Debt Facility.

The Blockade resulted in the suspension of operations leading to a force majeure event that constituted a default under the Debt Facility. On December 22, 2017, the Company obtained a waiver for the force majeure event and a temporary reduction in the minimum liquidity covenant from $50 million to $30 million until January 31, 2018. On January 30, 2018, the Company received an extension to such waiver from the Lenders for the minimum liquidity covenant until February 28, 2018. On February 7, 2018, the Company gave notice to the Lenders that the force majeure event had come to an end.

VAT Loan

The Company fully repaid the VAT Loan (as defined herein) by the end of third quarter of 2017.

Land Lease Agreement with Puente Sur Balsas Ejido

On October 10, 2017, the Company announced that MML had signed a 25 year temporary occupation agreement with the Puente Sur Balsas Ejido for the use of the common land required for the exploration, construction and mining of minerals at the Media Luna Project. The agreement can be revoked at the Company's discretion, with one year's notice. The agreement satisfies the land access requirement that is a pre-condition to entering the regulatory process to obtain permits for the potential development and operation of a future Media Luna mine. The Company has also signed 25 year temporary occupation agreements for other key areas of the Media Luna Project.

8 Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation

Corporate Update

On June 12, 2017, the Company announced that it had amended certain terms of the amended and restated shareholder rights plan, which was approved at the annual and special meeting of shareholders held on June 21, 2017. The amendment was made in response to comments from ISS Proxy Advisory Services.

Community

In early 2017, the Company experienced a blockade which lasted 14 days and was resolved peacefully with the assistance of the Mexican authorities. Processing operations continued with minimal interruption as the Company processed ore from the existing stockpile.

In respect of the Blockade, it is the Company's position that the Los Mineros Union made unsubstantiated claims in an attempt to damage Company relationships with local communities and thereby bolster their case for a change in union. As with many negative advertising campaigns, initially this tactic met with some success. With a bit of time, our traditionally strong community relationships re-asserted themselves and it was community support that led to a circumventing of the union led Blockade in mid-January 2018 and a restart of operations.

Exploration and Development

During 2017, Torex completed an infill and step-out exploration drill program on the Sub-Sill deposit that resulted in an underground mineral resource and mineral reserve estimate. This work is summarized below:

- The first phase of the diamond drilling program on the Sub-Sill deposit was completed in the second half of 2016 and the results were announced in early 2017.
- March 29, 2017 the Company released a maiden underground mineral resource estimate for the Sub-Sill deposit.
- Following the release of the maiden resource for the Sub-Sill deposit the Company undertook the next phase, a 15,000-meter drill program consisting of infill and step out drilling to upgrade Inferred resources, test the extents and target the project areas to the north, south, east and west and at depth of the known resources.
- In June 2017, the 600-meter access ramp entered the high-grade mineralization of the Sub-Sill deposit. The first 300 meters of the access ramp is common to both the Sub-Sill and the ELD deposit.
- On January 16, 2018, the Company announced an updated mineral resource estimate and mineral reserves estimate for the ELG Mine Complex, which includes a mineral reserve and mine plan for the Sub-Sill deposit. The step-out drilling demonstrates growth potential in the quadrant to the northwest of if the current Sub-Sill resource area.

On October 17, 2017, the Company announced the initiation of its infill drilling program at the Media Luna Project. The purpose of this program is to upgrade, to the Indicated confidence level, 25% of the current Inferred resource of the Media Luna Project of 7.4 million Au Eq. ounces (51.5Mt @ 4.48g/t Au Eq.). This surface program replaced the earlier plans of an underground exploration program. This work was suspended due to the Blockade and restarted in the second quarter of 2018.

Work to optimize the mine design for the Media Luna Project continued in 2017, with a goal of reducing capital cost and shortening the build schedule, including, identifying and assessing alternatives to the tunnel beneath the Balsas river. See results of the PEA in *"Material Properties – Morelos Gold Property – Capital and Operating Costs – Media Luna Project – PEA"*.

Details regarding the Morelos Gold Property generally, and in particular ELG Mine and Media Luna Project, are set out under the subheading *"Material Properties – Morelos Gold Property – Summary of the Technical Report"*, and additional details regarding the ELG Mine Complex and the Media Luan Project are set out in *"Material Properties – Morelos Gold Property, Mexico – Developments Since the Effective Date of the Technical Report"*.

Developments in Fiscal 2016

Operations

- Commercial production announced on March 30, 2016, ahead of schedule and under budget, reaching an average of more than 60% of plant design throughput of 14,000 tpd for 30 days. For accounting purposes, the transition to production was reflected commencing April 1, 2016.
- Gold production totalled 279,937 ounces in 2016.
- Plant throughput averaged 9,877 tpd from the commencement of commercial production or 71% of design capacity of 14,000 tpd.
- Average gold grade processed was 3.25 gpt from the commencement of commercial production.
- Average gold recovery rate was 86% from the commencement of commercial production.
- Recycled process water that contains leached copper had a greater impact on the gold elution and electrowinning than was anticipated in the plant design. Soluble copper in the deposit was successfully managed with reagents, and gold recoveries tracked closely to design levels of 87%. A decision was taken to construct a SART (sulfidization, acidification, recycling, and thickening) plant to recycle reagents that are used in association with the soluble copper.

Financial Results for the Year

- Net income of $41.0 million since the commencement of commercial production, and $3.2 million for the year.
- Adjusted net earnings[9], which excludes, amongst other items, unrealized derivative and foreign exchange losses, totalled $51.1 million, or $0.65 per share on a basic and $0.64 per share on a diluted basis since the commencement of commercial production.
- Earnings from mine operations of $119.9 million since the commencement of commercial production.
- Cash flow from operations totalled $167.4 million.
- Revenue of $312.5 million and cost of sales of $192.6 million, or $789 per ounce of gold sold, since the commencement of commercial production.
- Gold sold totalled 275,613 ounces in 2016 for total proceeds of $347.2 million. The average realized gold price[10] was $1,263 per ounce since the commencement of commercial production.
- Total cash costs[10] of $543 per ounce of gold sold since the commencement of commercial production.
- AISC[10] of $733 per ounce of gold sold since the commencement of commercial production.

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9 Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation
10 Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation

Project Loan Facility

On March 30, 2015, the Company placed $30.0 million in a reserve account to fund the ELG Mine project based on conservative assumptions of the Lenders (defined herein) relating to the production schedule, capital expenditures and production ramp-up. During 2016, the full amount in the reserve account was released; $6.0 million was used to fund ELG Mine expenses and the remainder was unrestricted and available to fund corporate priorities including exploration and development activities. See *"– Financings – Project Loan Facility"* for details on the Project Loan Facility.

VAT Loan

On June 3, 2016, the Company executed a line of credit agreement with Banco Nacional de Comercio Exterior for an amount equivalent to 84.2% of 95% of the Company's outstanding VAT filings, up to 800 million Mexican pesos (approximately $39.0 million at December 31, 2016). The Company drew down its first advance on June 24, 2016, in the amount of 450.5 million Mexican pesos (approximately $24.3 million at the time of the advance). See *"– Financings – VAT Loan"* for details on the VAT Loan.

Community

In February 2016, the Company signed an agreement with the State Government of Guerrero for the provision of full-time police presence in the areas adjacent to the Company's Morelos Gold Property for a one-year term. Three check points were established with full-time police presence. The Company supported the program with infrastructure including lodging for the police and additional support in the form of transportation and vehicle maintenance. The Company assessed the need to continue the arrangement and it is unlikely that the Company will renew the agreement with the State Government of Guerrero.

To allow for the development of the ELG Mine Complex, the Company resettled the community of La Fundación in August 2015, and the community of Real del Limón in April 2016.

Three independent studies were completed that confirmed the operations have negligible impact on the surrounding aquatic environment. In February 2017, researchers at the Universidad Nacional Autónoma de México and Universidad Michoacana released the results of their independent research, which demonstrate that the Company's operations do not affect the fish population in the Presa Caracol reservoir on the Balsas river and independent studies completed by the Autonomous University of Guerrero showed no effect of the ELG Mine Complex on fish or fish catches from either noise or vibration from blasting. Total catches of fish in 2016 (with the mine in operation) were higher than in 2010 (prior to construction of the ELG Mine Complex).

The Company suspended operations at the ELG Mine Complex for a period of 10 days due to an illegal blockade in April 2016 and the Company refuted the unjustified claims made and refused to make payments to those engaging in the illegal blockade. Working together with the communities and the State Government of Guerrero, the blockade was lifted on April 14, 2016.

Exploration and Development

Diamond drilling of the Sub-Sill commenced in third quarter of 2016, and the 7,727-metre program was completed in the fourth quarter of 2016. Ahead of schedule, in the fourth quarter of 2016, a five-metre wide by five-metre high ramp was collared from the El Limón access road with the objective of advancing the ramp toward the El Limón Deep, and Sub-Sill targets.

Environmental studies and land acquisition work on the Media Luna Project continued during 2016 in preparation for the exploration program.

Other

On June 30, 2016, the Company consolidated its outstanding Common Shares on a 10-for-1 basis resulting in one post-consolidation Common Share for every 10 pre-consolidation common shares outstanding.

Financings

Project Loan Facility

In August 2014, MML signed a credit agreement (the "**Original Credit Agreement**") with the Lenders and other definitive documentation for a syndicated $375 million eight-year senior secured project finance facility (the "**Project Loan Facility**") for the development of the ELG Mine.

On March 30, 2015, the Company placed $30.0 million in a reserve account (the "**Sponsor Reserve Account**") to fund the project based on conservative assumptions of the Lenders relating to the production schedule, capital expenditures and production ramp-up. During 2016, the full amount in the Sponsor Reserve Account was released; $6.0 million was used to fund ELG Mine expenses and the remainder was unrestricted and available to fund corporate priorities including exploration and development activities. The terms of the Project Loan Facility required that the Company set aside funds for an unplanned temporary closure of the ELG Mine and to fund tax and royalty obligations prior to the satisfaction of the Final Completion Test ("**FCT**")(subsequently replaced by the Operating Covenant) and following the satisfaction of the FCT or Operating Covenant, as applicable, the Company may make arrangements to provide for financial assurance with respect to the reclamation obligations of the ELG Mine Complex acceptable to the Majority Lenders (as defined in the Credit Agreement), acting reasonably, and consistent with the most recently updated progressive mine closure plan.

In connection with the Project Loan Facility, the Company entered into commitments with the Lenders to deliver 204,361 ounces of gold (the "**Gold Contracts**") over an 18-month period commencing in January 2016, at an average flat forward gold price of $1,241 per ounce and foreign exchange currency hedges (the "**Peso Contracts**") which cover 75% of the non-U.S. dollar denominated capital expenditures for the ELG Mine from November 2014 to the second quarter of 2017, as well as 75%, 50% and 25% annually of the Company's estimated non- U.S. dollar denominated operating expenditures for the ELG Mine. The final outstanding ounces under the Gold Contracts were delivered in July 2017 and the Company settled the last of the Peso Contracts in the first quarter of 2019.

The Project Loan Facility was subject to an Interim Completion Test (**"ICT"**) and FCT requiring the Company to meet certain operational, legal and financial criteria. The deadline for completion of the ICT was September 30, 2016 and the deadline for the FCT was March 31, 2018. The Company successfully completed, and the Lenders accepted, the ICT in September 2016. The FCT was replaced by the Operating Covenant (defined herein) in the amended Debt Facility (defined herein) dated July 21, 2017.

Debt Facility

On July 21, 2017, the Company, through its subsidiary MML, signed an amended and restated credit agreement (the "**Credit Agreement**") with BNP Paribas, Commonwealth Bank of Australia, ING Capital LLC., and SG Americas Securities, LLC, as joint bookrunners and BMO Harris Bank N.A. and The Bank of Nova Scotia (the "**Lenders**") in connection with a secured $400 million debt facility (the "**Debt Facility**"). The Debt Facility is comprised of a $300 million term loan (the "**Term Facility**") and a $100 million revolving loan facility (the "**Revolving Facility**"). The Debt Facility is secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries.

On July 25, 2017, the Company satisfied the requisite conditions and drew the full amount of the Term Facility and $75 million of the Revolving Facility to repay the Project Loan Facility (as defined herein) which was previously entered into with the Lenders for the construction of the ELG Mine Complex.

The Debt Facility removed various covenants and restrictions imposed under the Project Loan Facility, including the FCT, the requirement for mandatory hedging and reduced certain restrictions on cash. The mandatory cash sweeps were also removed provided that (i) if the ELG Mine Complex did not meet 90% of certain projected operating and economic performance parameters by December 31, 2018 (the "**Operating Covenant**"), or (ii) if any mine plan or base case financial model requiring approval of the Majority Lenders does not receive such approval, a mandatory cash sweep shall be reintroduced until $50.0 million of the Term Facility had been repaid. The Company has satisfied the Operating Covenant.

As of December 31, 2018, the amount outstanding under the Debt Facility is $325.5 million.

The Debt Facility has financial covenants, which, if not met could result in an event of default. The Debt Facility also contains certain other covenants, including cross-default provisions with the Company's finance lease arrangement and equipment loan. The Blockade resulted in the suspension of operations leading to a force majeure event that constituted a default under the Debt Facility.

On December 22, 2017, the Company obtained a waiver for the force majeure event and a temporary reduction in the minimum liquidity covenant from $50 million to $30 million until January 31, 2018 (the "**Minimum Liquidity Waiver**"), with the proviso that the remaining $25 million available under the Debt Facility, which was not yet drawn, was counted toward meeting the liquidity covenant threshold and could not be drawn by MML. On January 30, 2018, the Company received an extension to the Minimum Liquidity Waiver from the Lenders for the minimum liquidity covenant until February 28, 2018. On February 7, 2018, the Company gave notice to the Lenders that the force majeure event had come to an end.

The final outstanding ounces under the Gold Contracts were delivered in July 2017. The Company settled the last of the Peso Contracts in the first quarter of 2019. See "*Project Loan Facility*".

Under the terms of the Original Credit Agreement, the Company was restricted from repatriating funds from MML until an FCT was achieved. These restrictions were removed under the Credit Agreement signed in 2017; however, distributions are limited to a maximum of $20.0 million on an annual basis (pro-rated for 2017).

In accordance with the Credit Agreement, the Company provided the Lenders, with an updated mine plan by June 30, 2018. The Credit Agreement required a minimum reserve tail ratio of 30%. In September 2018, the Lenders agreed to waive (the "**RTR Waiver**") compliance with the reserve tail covenant for purposes of the 2018 mine plan so that the Company could submit an alternative optimized mine plan that meets the requirements of the Credit Agreement, except as it relates to the reserve tail covenant. This consent is effective until the date ("**Waiver End Date**") that is the earlier of (i) the date on which a mine plan delivered in accordance with the Credit Agreement evidences compliance with the reserve tail covenant ("**RTR Compliant Mine Plan**"); (ii) the date on which a mine plan delivered in accordance with the Credit Agreement evidences a reserve tail ratio of less than 27% ("**RTR Floor Non-Compliant Mine Plan**"); and (iii) the date on which the Company is required to deliver a mine plan under the Credit Agreement and fails to do so.

In the event that the mine plan delivered by the Company pursuant to the Credit Agreement following the end of fiscal 2018 is neither an RTR Compliant Mine Plan nor an RTR Floor Non-Compliant Mine Plan, the Company shall from and including November 15, 2019 and on each quarterly date thereafter (each a

"**RTR Prepayment Date**") until the Waiver End Date, prepay outstanding credit under the Credit Agreement in an amount equal to the RTR Prepayment Amount, which is the greater of (i) $2.6 million and (ii) such amount as is required to ensure that equal quarterly repayments will be made on each RTR Prepayment Date so that the Credit Agreement is repaid in full as at the last fiscal quarter the Company is in compliance with the reserve tail covenant based on the mine plan as at such RTR Repayment Date. See "*Risk Factors*".

VAT Loan

On June 3, 2016, the Company executed a line of credit agreement with Banco Nacional de Comercio Exterior, S.N.C. for an amount equivalent to 84.2% of 95% of the Company's outstanding VAT filings, up to 800 million Mexican pesos (approximately $39.0 million at December 31, 2016) (the "**VAT Loan**"). The VAT Loan was secured by the Company's VAT receivable amounts, and advances under the facility bore interest equal to the 91-day Interbank Equilibrium Interest (TIIE) Rate as published by the Bank of Mexico plus 2.99%. Interest payments were due quarterly and VAT funds received were applied against the balance outstanding. A final payment of all principal and any accrued interest were due 24 months following the date of the first advance. Upon signing the agreement, the Company paid 0.5% of the total amount committed. During the term of the VAT Loan, MML was restricted from repaying loans from the parent company and its affiliates.

The Company drew down its first advance on June 24, 2016, in the amount of 450.5 million Mexican pesos (approximately $24.3 million at the time of the advance). No additional amounts were drawn on the VAT Loan and the Company repaid the VAT Loan in full in 2017.

Muckahi

In June 2018, Fred Stanford, the Company's President and Chief Executive Officer ("**CEO**") sold, assigned and transferred to the Company (the "**Assignment**"), with the exception of trademarks, his entire right, title and interest in a proprietary mining system (the "**Mining System**" which is sometimes referred to as "**Muckahi**") for use in underground mines, for nominal consideration. The transaction is accounted for at the exchange amount based on the consideration. All subsequent improvements to this system will be owned by the Company. The Company has granted an irrevocable license (the "**License**" and together with the Assignment, the "**IP Agreements**"), in any intellectual property associated with the Mining System, including any improvements, to Muckahi Inc., an entity controlled by Fred Stanford, the Company's CEO. During Fred Stanford's tenure as CEO, Muckahi Inc. will not be permitted to make use of the License. The Mining System is currently in the evaluation stage and if determined viable, the Company may use the system in current or future underground mining operations or for commercial purposes. The board of directors of the Corporation (the "**Board**") appointed a committee of independent directors (the "**Independent Committee**") to negotiate the terms of the IP Agreements and make a recommendation to the Board thereon. The Board approved the IP Agreements, taking into consideration, among other matters, the Independent Committee's determination that the terms of the IP Agreements are fair, reasonable and in the best interests of the Corporation and their recommendation to approve the IP Agreements. In August 2018, the Company and Muckahi Inc. entered into an agreement which grants to the Company the right to use the name "Muckahi" on a royalty free basis. The term of the agreement is perpetual, however, Muckahi Inc. may terminate the agreement at any time by giving the Company 60 days prior notice.

Illegal Blockades

While systems are in place to receive feedback from the local communities, the Company does experience blockades from time to time. The Company suspended operations at the ELG Mine Complex for a period of 10 days due to an illegal blockade in April 2016 and the Company refuted the unjustified claims made

and refused to make payments to those engaging in the illegal blockade. Working together with the communities and the State Government of Guerrero, the blockade was lifted on April 14, 2016. See "*Developments in Fiscal 2016 – Community*".

In early 2017, the Company experienced a blockade which lasted 14 days and was resolved peacefully with the assistance of the Mexican authorities. Processing operations continued with minimal interruption as the Company processed ore from the existing stockpile.

On November 3, 2017, operations at the ELG Mine Complex were shut down as a result of an illegal blockade, which arose because of a dispute between the union that legally represents the Company's workers (the "**CTM Union**") and the union that wanted to represent the workers (the "**Los Mineros Union**"). On November 6, 2017, the ELG staff were evacuated after a group of blockaders from the Los Mineros Union entered the ELG Mine Complex and threatened the site staff. On November 6, 2017, the drilling program on the Media Luna Project was stopped due to the illegal blockade which had extended to the Media Luna Project. The Company worked with the Mexican Federal Labour Board to expedite the legal process that leads to a secret ballot for employees to select the union they wish to have represent them (the "**Union Selection Vote**"). On December 13, 2017, the legal representatives of the CTM Union and the Los Mineros Union, as well as legal representatives of the Company, attended a hearing convened by the Federal Labour Board to set a date for the Union Selection Vote. At the hearing, the Los Mineros Union proposed postponing the hearing to set the date for the Union Selection Vote and the CTM Union had no objection to the proposed delay. Following a discussion, the Los Mineros Union and the CTM Union agreed to postpone the hearing to January 30, 2018. On December 15, 2017, the Company announced that, during an offsite vote organized by the Company on December 14, 2017, a majority of its unionized employees at the ELG Mine Complex voted to return to work and lift the illegal blockade. The blockaders and the Los Mineros Union ignored the results of such vote and on December 16, 2017, the Company suspended the employment contracts of its employees in Mexico with the exception of a small number of staff to manage the Company's ongoing responsibilities. On January 15, 2018, the Company announced the sequential re-start of the ELG Mine Complex in priority areas of the plant after access was secured through a road used in construction. On January 29, 2018, the Company announced that the Governor of Guerrero State acted to remove the illegal blockaders from the ELG Mine Complex and that the Company had regained access to the main plant access gate. At a hearing on January 30, 2018, with the Federal Labour Board, the Los Mineros Union and the CTM Union agreed to postpone setting the date for the Union Selection Vote to a hearing to be held on February 13, 2018 and again on February 13, 2018 the matter was deferred to a hearing to be held on March 15, 2018. At each of these hearings, the Company's representatives advised the Federal Labour Board, the Los Mineros Union and the CTM Union of the Company's request to have the date for Union Selection Vote set as soon as possible. The hearing of March 15, 2018, was continued on March 22, 2018; again, the Los Mineros Union attempted to delay the process and the Company and the CTM Union requested that a date be set for the Union Selection Vote. The Federal Labour Board reserved its decision.

On February 21, 2018, the Los Mineros Union initiated an illegal blockade of the El Limón pit portion of the operations. While the Company was not scheduled to be working in the area of the El Limón pit at that time, this pit constituted 80% of the scheduled ore production for 2018 and the Company had planned to resume working in the area in mid-March 2018. On April 6, 2018, after a negotiation with community leaders that the Company was not a party to, the supporters of Los Mineros Union ended their Blockade. On April 10, 2018, the Company received notification that the Los Mineros Union had withdrawn their application to challenge the incumbent union, to be the union to represent the Company's union-eligible employees. See "*General Development of the Business – Developments in Fiscal 2018 – Blockade Ended and Full Access Restored*", "*General Development of the Business – Developments in Fiscal 2017 – Illegal Blockade*" and "*Risk Factors – Illegal Blockade*" sections of this AIF.

Principal Products

The Company's principal product is gold which requires refining to become a marketable material. The Company uses the services of a refiner to refine the doré produced at its operations to market delivery standards. Any refiner used by the Company must be acceptable to the Majority Lenders (as defined in the Credit Agreement), acting reasonably. The Company currently refines all its gold at one refinery in the United States. The contract is for a two-year period ending December 2019 and the Company is obligated to send approximately 75% of its doré to the refiner (the "**Primary Refiner**"). If a force majeure event affects the refinery, the Primary Refiner is obligated, at no additional cost to the Company, to make commercially reasonable efforts to refine the Company's doré at another of the Primary Refiner's refineries and the Company is entitled to deliver the doré to other refiners or refineries for refining without liability to the Primary Refiner. Due to the availability of alternative refiners, the Company believes that it is not dependent on any one refiner.

The Company had a second contract with a refinery (the "**Second Refiner**") in the United States with an indefinite term, pursuant to which the Company was entitled to send approximately 25% of its doré to the Second Refiner. Shipments of doré to the Second Refiner were suspended in the second quarter of 2018 and subsequently, the Second Refiner filed for bankruptcy in November 2018. No amounts of metals or funds were due to or from the Second Refiner at the time of the bankruptcy. The Company is considering arrangements with other refineries to process 25% of its doré. Since the suspension of the deliveries to the Second Refiner, all of the Company's doré has been refined by the Primary Refiner.

The refined gold was sold, to the extent required, to the Lenders in accordance with the Gold Contracts and the balance is sold to the Lenders at spot prices. During 2017, the Company settled the last of the Gold Contracts. There are worldwide markets into which the Company may sell its gold and consequently, it is not dependent on any particular purchaser for the spot sales of its gold. See "*Risk Factors – Credit Risk*".

Employees and Specialized Skills and Knowledge

The Company currently has approximately 883 full or part time employees. There are 836 workers employed at the operations and offices in Mexico, 9 employees are deployed to work in Mexico, and 38 employees in the corporate office in Toronto (including a technical services group of 7 employees).

The Company is dependent on the services of key executives, including the President and Chief Executive Officer of the Company, and a small number of highly skilled and experienced executives and personnel. The Company's business requires a wide range of specialized skills and knowledge including the following areas: geology, mine planning, permitting, engineering, metallurgy, construction, project management, mining and milling operations, logistics and procurement. As well, the Company is dependent on the services provided by key support functions such as finance, human resources, community relations and social responsibility, regulatory compliance, legal, tax and accounting. As the Company has transitioned from construction to operations, the Company has been able to locate and retain employees and contractors with such skills and knowledge. See "*Risk Factors – Dependence on Key Executives and Employees*."

Competitive Conditions

The Company's strategy is to grow production from high quality assets. The Morelos Gold Property provides significant opportunity to implement this strategy. The Media Luna Project provides mid-term growth potential. The developing ELG Underground provides near-term growth opportunity in both the Sub-Sill and the El Limón Deep zone. The many untested exploration targets on this prolific property provide long-term growth opportunities. In addition to realizing the full potential of the Morelos Gold

Property, the Company will seek opportunities to acquire assets in the Americas that enable profitable and effective geographic diversification.

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Company competes with a number of other entities, many of which have greater resources and experience, in the search for and the acquisition of potentially productive mineral properties. The ability of the Company to acquire additional properties depends on, among other things, its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. See "*Risk Factors – Competition*".

Foreign Operations

The Company's material mineral projects are located in Mexico. See "*Material Properties – Morelos Gold Property*" for a summary of such projects. Future development and operations may be affected in varying degrees by such factors as government regulations or changes thereto. See "*Risk Factors – Foreign Operations and Political and Country Risk*".

Business Cycle

The mining business is subject to mineral price cycles. The marketability of minerals and mineral concentrates is also affected by global economic cycles. Metal prices fluctuate widely and are affected by numerous factors such as global supply, demand, inflation, exchange rates, interest rates, forward selling by producers, central bank sales and purchases, production, global or regional political, economic or financial situations and other factors beyond the control of the Company. See "*Risk Factors – Fluctuations in Gold and other Metal Prices*".

Environmental Protection

The environmental law in Mexico, called the General Law of Ecological Balance and Protection to the Environment (the "**General Law**"), provides for general environmental policies, with specific requirements set forth in regulations called Ecological Technical Standards. Responsibility for federal environmental matters rests primarily with SEMARNAT, with the assistance of the National Institute of Ecology. The enforcement of environmental laws, regulations and Ecological Technical Standards is entrusted to the Federal Environmental Protection Agency. Primary laws and regulations governing environmental protection for mining in Mexico are found in the General Law, the Ecological Technical Standards and also in the air, water and hazardous waste regulations, among others. To comply with the environmental regulations, a concessionaire must obtain a series of permits during the exploration and exploitation stages. See "*Morelos Gold Property, Mexico – Property Description and Location*".

Social and Environmental Policies

The State of Guerrero, in which the Morelos Gold Property is situated, has limited government resources to fund social, economic and infrastructure development. Given these economic circumstances, private investment offers an excellent opportunity for an increase in the standard of living of the residents near the Morelos Gold Property. However, even with the opportunities that the Morelos Gold Property provides, the Company appreciates that relationships will need to be nurtured to continue to build and maintain an appropriate level of trust between the parties. Developing these relationships will continue to be among the highest priorities for the Company and the Company has formalized a community relations system.

The Company was successful in negotiating long-term land access agreements for the lands required to build the ELG Mine Complex and the Media Luna Project. Following these negotiations and agreements,

the focus has shifted to maintaining long-term relationships that preserve the support of the communities to operate the Company's business. The Company regularly meets with local stakeholders and their leaders with the aim of promoting their participation in decision making processes. Community engagement includes the active participation of Mexican government officials who have commended the Company for its work in promoting social harmony.

Local communities may be influenced by external entities, groups, or organizations opposed to mining activities or seeking to gain illegally from mining. Social acceptance of the Company remains strong and local communities are largely supportive of the ELG Mine Complex; however, the ELG Mine Complex does experience blockades from time to time. The Company's operations in the ELG Mine Complex were shut down because of the Blockade from the Los Mineros Union from November 3, 2017 to April 6, 2018.

The ELG Mine Complex has been blockaded on several occasions since commercial production started in 2016. With the exception of the Blockade, most of the blockades have been short, with the root cause traced back to inequality or perceived inequality. There was very little economic inequality before the Morelos Gold Property was identified, and poverty in the area was widespread. The ELG Mine Complex has brought new wealth to the area, and for some, the land leases, jobs, and business opportunities have created a distinctly improved set of economic outcomes. However, not everyone has been able to take advantage of these opportunities and for those who have not seen a dramatic change in their lifestyle, they now see others in their community with wealth that they do not have. This has been perceived as unfair by some members of the community, and most of the blockades to date have been an expression of that perceived unfairness.

It is expected that the economic benefits of the ELG Mine Complex will reach more local citizens now that the government's mining fund, which is supported by royalties from the ELG Mine Complex, is investing in the development of infrastructure within the communities of the Municipality of Cocula. Following the change in the Mexican government in December 2018, the 2019 Mexican Federal Revenue Law was passed which gives the Ministry of Economy the authority to allocate the mining fund, directly or in coordination with local governments, pursuant to guidelines and agreements issued by the Minister of the Economy; however, the guidelines and agreements have not yet been issued. In addition to the original purposes of the mining fund, the funds collected may also be used to finance infrastructure and equipment projects of a social nature including, education, health care, social welfare, crime prevention, civil protection, rural mobility, reforestation, community centres, technical certification and entrepreneurship. See "*General Development of the Business – Developments in Fiscal 2018 – Blockade Ended and Full Access Restored*", "*General Development of the Business – Developments in Fiscal 2017 – Illegal Blockade*", "*Risk Factors – Safety and Security*" and "*Risk Factors – Illegal Blockades*" sections of this AIF.

The Company has adopted several policies concerning health and safety, social harmony and human rights and environmental protection. These policies include the Company's Code of Business Conduct and Ethics (the "**Code**") which sets out the Company's expectations of its directors, officers and employees to, among other things: (i) act ethically and honestly; (ii) obey all laws governing the conduct of the business and affairs of the Company; (iii) conduct business in an environmentally and socially responsible manner; and (iv) select and treat employees of the Company in a respectful, fair and equitable manner and foster a work environment that is safe and healthy and free from discrimination, harassment, intimidation and hostility of any kind. Copies of the Code, as well as the Company's the Safety and Health Policy, Environmental Protection Policy and the Social Harmony and Human Rights Policy are available on the Company's website at www.torexgold.com.

The Company recognizes that its employees have been and will continue to be the foundations of its business success. The Company endeavours to create a work environment that enables workers to reach their potential. To do so, the Company has developed and implemented management systems, teamwork behaviours and organization symbols which are based on an integrated set of organizational principles and leadership models.

Providing a safe and healthy work environment for the Company's employees and site personnel is a key driver for the business. To achieve excellence in safety performance, the Company strives to embed a strong culture of safety through a safety and health management system. The Company's approach is guided by the principle of 'zero harm' which is a core value that the Company has embraced and reinforced in the Company's safety motto: "*Si no es seguro, no lo hagas*." (If it's not safe, don't do it.)

To enhance the economic benefits of the Company's operations for local communities, the Company provides employment opportunities and business opportunities through local hiring, training programs and procurement assistance to local entrepreneurs who wish to supply goods and services to the Company.

The Company contributes to community and economic development by partnering with community producers, government institutions and development agencies to facilitate sustainable economic development projects.

To manage the environmental effects of the ELG Mine Complex, the Company has implemented an environmental management system that is aligned with the requirements of the International Finance Corporation ("**IFC**") Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts. Managing the environmental impact began with the design of the ELG Mine Complex which includes two innovative components, the RopeCon, which transports material from the El Limón mining area to the processing facilities, and the filtered tailings storage facility.

To allow for the development of the ELG Mine Complex, the Company resettled the communities of La Fundación and Real del Limón. The resettlement of each community was conducted in accordance with applicable laws and IFC guidelines, including, the development and implementation of the stakeholder engagement approach and determining appropriate compensation mechanisms for those affected by the resettlement.

The Company is committed to upholding the human rights of stakeholders in the spheres of influence of the Company. Human rights considerations are integrated into the Company's approach to community relations, including the establishment of a formal grievance system which allows community members to lodge complaints, including human rights complaints.

Pursuant to the Debt Facility, the Company maintains a reserve of funds (December 31, 2018: $26.8 million) for potential obligations in the event of an unplanned temporary closure of the ELG Mine Complex. The Company also recognizes a decommissioning liability relating to the ELG Mine Complex and has determined that no significant decommissioning liability exists in respect of its exploration activities. See Note 12 of the Company's Financial Statements for the year ended December 31, 2018.

The Company's health and safety activities are overseen by the Health and Safety Committee of the board of directors (the "**Board**") and the environmental protection and other corporate social responsibility activities are overseen by the Environment and Corporate Social Responsibility Committee of the Board.

MATERIAL PROPERTIES – MORELOS GOLD PROPERTY

The Company wholly-owns the Morelos Gold Property, a group of seven mineral claims which hosts four deposits, El Limón (which includes El Limón Sur), Guajes, (together, referred to as "**ELG**") Sub-Sill and Media Luna, each of which has a mineral resource estimate prepared in accordance with NI 43-101.

Torex is currently operating the ELG Mine Complex which includes the ELG Open Pits and the ELG Underground. While operating the ELG Mine Complex, Torex is carrying out work on the Media Luna deposit to support the development of a mineral resource.

The Technical Report provides a LOM plan for the ELG Mine Complex. In addition, the Technical Report presents the results of a PEA for exploitation of the Media Luna mineral resource using the ELG Mine Complex infrastructure and is referred to as the Media Luna Project.

The PEA economics for the Media Luna Project in the Technical Report are based on conventional mining methods. In addition, the Muckahi mining system, a Torex proprietary mining method, is introduced and described in the Technical Report. The Technical Report uses the Media Luna Project as a platform for comparison to demonstrate the potential benefits that could be possible if the Muckahi method is proven and ultimately applied to the Media Luna Project, or any other deposit that does not employ caving methods. However, it is important to note that Muckahi is experimental in nature and has not been tested in an operating mine. Many aspects of the system are conceptual, and proof of concept has not been demonstrated.

Developments Since the Effective Date of the Technical Report

Updated Mineral Reserve and Mineral Resource Estimates for the ELG Open Pit and ELG Underground

The Technical Report (defined herein) has an effective date of March 31, 2018. The following is an update of scientific and technical information since the date of the Technical Report. The section titled "*ELG Open Pit Reserve*" has been reviewed and approved by Dawson Proudfoot, P.Eng., Vice President, Engineering of the Company, and the section titled "*ELG Underground Reserve*" has been reviewed and approved by Clifford Lafleur, P.Eng., Director, Technical Services of the Company and sections titled "*Mineral Resource Statement for El Limón and Guajes Open Pit Resources*" and "*Mineral Resource Statement for El Limón and Guajes (ELG) Underground Resources*" were reviewed and approved by Dr. Lars Weiershäuser, P.Geo, an employee of the Company. Each of Mr. Proudfoot, Mr. Lafleur and Dr. Weiershäuser is a "qualified person" for the purposes of NI 43-101.

ELG Open Pit Reserve

Reserve Category	Tonnes (Mt)	Au Grade (g/t)	Ag Grade (g/t)	Contained Au (Moz)	Contained Ag (Moz)
El Limón (including El Limón Sur) - Note 3					
Proven	3.80	3.48	4.20	0.43	0.51
Probable	11.24	3.05	3.69	1.10	1.33
Sub-total Proven & Probable	15.04	3.16	3.82	1.53	1.85
Guajes - Note 3					
Proven	1.45	2.57	1.76	0.12	0.08
Probable	6.16	3.06	2.77	0.61	0.55
Sub-total Proven & Probable	7.61	2.96	2.58	0.73	0.63
Mined stockpiles					
Proven	0.83	1.41	6.47	0.04	0.17
ELG Low Grade - Note 4					
Proven	0.29	1.02	1.91	0.01	0.02
Probable	1.04	1.01	1.87	0.03	0.06
Sub-total Proven & Probable	1.34	1.01	1.88	0.04	0.08
Total El Limón Guajes					
Proven	6.38	2.89	3.84	0.59	0.79
Probable	18.44	2.94	3.28	1.74	1.95
Total Proven & Probable	24.82	2.92	3.42	2.33	2.73

Notes to accompany Mineral Reserve Table:

1. Mineral reserves are founded on Guajes, El Limón and El Limón Sur measured and indicated mineral resources with an effective date of December 31, 2018.
2. Mineral reserves are reported based on open pit mining within designed pits and incorporate estimates of 15% dilution and 5% mining losses.
3. El Limón, El Limón Sur and Guajes mineral reserves are reported above diluted cut-off grades of 1.1 g/t Au. The cut-off grades and pit designs are considered appropriate for metal prices of US$1200/Oz and US$17/oz silver, and estimated mining, processing, and G&A unit costs during pit operation.
4. ELG low grade mineral reserves are reported above a diluted cut-off grade of 0.9 g/t Au and below the higher cut-off grades identified in Note 3. It is planned that ELG low grade mineral reserves within the designed pits will be stockpiled during pit operation and processed during pit closure. The low grade cut-off is considered appropriate for metal prices of US$1200/Oz and US$17/oz silver, and estimated ore rehandle, processing, and G&A unit costs during pit closure.
5. Mineral Reserves were developed in accordance with CIM Standards.
6. Rounding may result in apparent summation differences between tonnes, grade, and contained metal content.
7. The qualified person for the mineral reserve estimate is Dawson Proudfoot, P.Eng. the Vice President of Engineering of the Company.

El Limón and Guajes reserves experienced an overall reduction of approximately 550,000 ounces of gold, approximately 70% of which is due to mining depletion. An increase in the cut-off grade to account for higher processing costs resulted in some formerly low-grade ore tonnes, being reclassified as waste tonnes. Approximately 120,000 ounces were removed from mineral reserves due to this change in cut-off-grade. An analysis will be conducted to determine if these tonnes that are now classified as waste, can

be stockpiled separately. If so, these tonnes can be reconsidered for processing in the future, if processing costs decline or gold prices increase. There was also a 50,000 ounce reduction in gold reserves that was primarily due to a change in modeling parameters. The change in how ounces were classified as Inferred, Indicated, or Measured resulted in ounces being reclassified from Indicated to Inferred, as Inferred these ounces cannot be included in reserves. The remainder of this reduction is the result of an infill drill program that led to minor adjustments to the geological interpretations.

Reconciliation between the Mineral Reserve model and mining within the ELG Open Pit of 93% (previously 97%) continues to be within the acceptable range for reserves. The main factor was the difference of approximately 40,000 ounces of gold between the estimated mineral reserve in two mining benches within the El Limon B pit and the processed ore from these two benches. This was due to the presence of a non-mineralized dyke which in the model was estimated to be part of a high grade area. It is common for high grade material to be found on the fringes of dyke intrusions.

ELG Underground Reserve

Reserve Category	Tonnes (Mt)	Au Grade (g/t)	Ag Grade (g/t)	Cu Grade (%)	Contained Au (Moz)	Contained Ag (Moz)
Sub Sill						
Proven	0.04	7.48	8.18	0.29	0.01	0.01
Probable	0.62	6.91	11.42	0.61	0.14	0.23
Total Proven & Probable	0.66	6.94	11.23	0.60	0.15	0.24

Notes to accompany Mineral Reserve table:

1. Mineral reserves are founded on ELG Underground measured and indicated mineral resources with an effective date of December 31, 2018.
2. The mineral reserves are based on mechanized cut and fill mining with a diluted cut-off grade of 4.2g/t Au and a diluted incremental cut-off grade of 0.9g/t Au. Operating costs are estimated at USD$120/processed tonne.
3. The mineral reserves process plant recoveries range 80.1% to 88.3% for gold and incorporate estimates for mining dilution and mining losses.
4. Mineral reserves were developed in accordance with CIM Standards.
5. Rounding may result in apparent summation differences between tonnes, grade, and contained metal content.
6. The qualified person for the mineral reserve estimate is Clifford Lafleur, P.Eng. Director of Technical Services of the Company.

The end of year ("**EOY**") 2018 Mineral Reserve of the ELG Underground deposit is based on the measured and indicated mineral resources contained in the EOY 2018 Mineral Resource model. There is a net reduction in the ELG underground reserve of 35,000 ounces. Mining depletion for 2018 was approximately 32,000 ounces. Approximately 25,000 ounces of reserves were added in an extension of the Sub-Sill, referred to as Zone 71. This addition of reserves was offset by a reduction of approximately 28,000 ounces in the main Sub-Sill zone, based on a model change which was informed by an increased understanding of the gold distribution.

Mineral Resource Statement for El Limón and Guajes Open Pit Resources

Resource Class	Tonnes (Mt)	Au Grade (g/t)	Ag Grade (g/t)	Contained Au (Moz)	Contained Ag (Moz)
El Limón (including El Limón Sur)					
Measured(M)	4.80	3.29	4.68	0.51	0.72
Indicated (I)	20.20	2.67	4.29	1.73	2.79
M+I	25.00	2.79	4.37	2.24	3.51
Inferred	3.07	1.94	4.94	0.19	0.49
Guajes					
Measured(M)	1.97	2.41	2.09	0.15	0.13
Indicated (I)	8.81	2.81	2.79	0.80	0.79
M+I	10.78	2.73	2.66	0.95	0.92
Inferred	0.45	1.50	2.58	0.02	0.04
Total El Limón Guajes					
Measured(M)	6.77	3.04	3.93	0.66	0.85
Indicated (I)	29.01	2.71	3.84	2.53	3.58
M+I	35.78	2.77	3.85	3.19	4.43
Inferred	3.52	1.89	4.64	0.21	0.52

Notes:

1 The effective date of the estimate is December 31, 2018.
2 The estimate was prepared by Dr. Lars Weiershäuser, P.Geo, an employee of the Company, who is a "Qualified Person" under NI 43-101.
3 Mineral resources are reported inclusive mineral reserves; mineral resources that are not mineral reserves do not have demonstrated economic viability.
4 Mineral resources have been reported below a topography with mining progress as of December 31, 2018. Stockpiled material is not considered in the mineral resource tabulation.
5 Mineral resources are classified in accordance with the CIM Standards.
6 Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade, and contained metal content.
7 Mineral resources are reported at a cut-off grade of 0.7 g/t gold and are constraint within a conceptual open pit shell.
8 Mineral resources are reported using a long-term metal prices of US$1380/oz gold and US$21/oz silver.
9 The assumed mining costs are US$2.18/tonne, processing costs US$19.09/tonne, general and administrative costs of US$8.80/tonne processed.
10 Metallurgical recoveries are assumed to be 87% for gold and 32% for silver. Assumed pit slopes range from 3 to 49 degrees.

ELG Open Pit mineral resources remain largely unchanged from 2017, notwithstanding depletion due to mining. Additional drilling information in the El Limón C-Pit area was incorporated; resulting changes are non-material. Mineral resources in the El Limón Pit have been reclassified to put more emphasis on an improved understanding of grade continuity. Isolated areas classified as measured mineral resources have either been downgraded to the indicated category or have been combined into more continuous volumes of measured mineral resources. Isolated groups of resource blocks or those areas too far from assay information have been downgraded from the measured or indicated category to the inferred category.

Mineral Resource Statement for El Limón and Guajes (ELG) Underground Resources

Resource Class	Tonnes (Mt)	Au Grade (g/t)	Ag Grade (g/t)	Contained Au (Moz)	Contained Ag (Moz)
Sub-Sill					
Measured(M)	0.06	10.14	10.35	0.02	0.02
Indicated (I)	1.11	6.87	11.74	0.24	0.42
M+I	1.17	7.04	11.67	0.26	0.44
Inferred	1.28	5.91	6.93	0.24	0.29

Notes:

1 The effective date of the estimate is December 31, 2018.
2 The estimate was prepared by Dr. Lars Weiershäuser, P.Geo, an employee of the Company, who is a "Qualified Person" under NI 43-101.
3 Mineral resources are reported inclusive mineral reserves; mineral resources that are not mineral reserves do not have demonstrated economic viability.
4 Mineral resources have been reported below the reserve pit of the El Limón deposit and consider mining progress as of December 31, 2018.
5 Mineral resources are classified in accordance with the CIM Standards.
6 Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade, and contained metal content.
7 Mineral resources are reported above a 2.5 g/t Au cut-off grade. The assumed mining method is from underground.
8 Mineral resources are reported using a long-term metal prices of US$1380/oz gold and US$21/oz silver.
9 Metallurgical recoveries are assumed to be 87% for gold and 32% for silver.
10 Mineral resources are reported as undiluted; grades are contained grades.

The EOY 2018 Mineral Resources of the Sub-Sill deposit, which has been subject to mining since mid-2017, are based on an updated geological model, which was refined with additional core information obtained throughout 2018 and experience gained during initial mining. Within the Sub-Sill zone a reduction of 72,000 ounces of gold was experienced. Approximately 32,000 ounces was due to mining depletion, the remainder was due to modeling updates.

Within the Sub-Sill deposit the treatment of very high-grade assay information has been modified. The new model considers a high-grade domain, which is based on a better understanding of the geological control of gold distribution throughout the Sub-Sill area.

Classification of ELG Underground mineral resources has been upgraded as well, based on a more advanced understanding of grade distribution within the general resource area, which places more emphasis on continuity of grade distribution.

Mining Operations

- Mine production for 2018 was 32,625 kt, averaged 93,214 tpd
- Mine ore production for 2018 totalled 4,329 kt, averaged 12,368 tpd
- Major production equipment on site currently includes four 114-mm and seven 171-mm drills equipped for down-the-hole hammer drilling, three 15- m^3 hydraulic shovels, four 12- m^3 wheeled loaders, 24 90-ton haulage trucks, five bulldozers and three wheeldozers, three graders, two water trucks, and two small excavators. The Company no longer plans to replace seven production units in 2019 and 2020 as the equipment has been well maintained and the units will only be required to be overhauled.
- Production equipment maintenance by the owner's workforce continues to be phased in and the contractor's role will reduce over the life of mine of the open pits.

- In the first quarter of 2019, the ventilation, backfill plant and the connection to the power grid were completed for the ELG Underground.

Processing Plant Operations

- Plant throughput in the fourth quarter averaged 13,011 tpd.
- The debottlenecking of the SAG Mill has advanced to 93% of design rates as technical solutions have been implemented. Management is focused on incremental improvements to achieve design rates through enhancements to operating and maintenance practices.
- Grade processed in the year averaged 2.97 gpt.
- Gold recovery averaged 87% in the year, consistent with design expectations.
- The construction of the SART plant was completed on schedule in the second quarter of 2018 and is now in full operation. The operations team continues to fine tune the operating parameters to adjust to variation in the minerology of the processed ores.

Exploration and Development

- Sub-Sill zone – The results of 57 holes from the infill and step-out drilling programs in the Sub-Sill zone were released. Highlighted intercepts include 30.2g/t Au over 8.1m in borehole SST-101, 48.9g/t Au over 3.6m in borehole SST-118 and 34.4g/t Au over 4.6m in borehole SSUG-059. The deposit remains open in several directions. This information and the experience gained from mining the Sub-Sill zone was used in the EOY 2018 Mineral Reserve and EOY 2018 Mineral Resource estimates set out above.
- ELD zone - The results from the first 34 holes of its infill drill program targeting the ELD zone were released. The ELD zone is the downdip extension of mineralization below the El Limón open pit. Highlights from this program include 25.0 g/t Au over 8.5m in borehole LDUG-026, 24.9g/t Au over 7.5m in borehole LDUG-013, 16.8g/t Au over 15.2m in borehole LDUG-021, and 12.5g/t Au over 45.9m in borehole LDUG-002. The deposit remains open down dip and along strike. The Company plans to use the information for future updates of mineral reserve and mineral resource estimates.
- Media Luna Project – The results of the first 23 holes of the Media Luna infill drilling program were released. Highlighted intercepts include 10.5 gpt Au Eq. over 39.2m in borehole ML18-222A, 7.0 gpt Au Eq. over 49.6m in borehole ML18-215, 7.1 gpt Au Eq. over 45.9m in borehole ML18-219W and 8.3 gpt Au Eq. over 22.6m in borehole ML18-208W. There are currently 6 drills active on the Media Luna Project. On average each drill completes two holes per month, which indicates completion of the program by the end of 2019.
- Exploration – In late 2018, a hole was drilled in a porphyry target close to the Media Luna area. Further drilling into this target will be deferred until more advantageous, lower on the ridge drill platforms, can be accessed. In addition, drills from the Sub-Sill may be deployed to test targets for mineralization similar to the Sub-Sill deposit in the vicinity of the Guajes Pit.

Other

- Duty payments totaling 9,171,626 pesos were made during 2018.

Summary of the Technical Report

The following is a summary of the technical report titled "NI 43-101 Technical Report ELG Mine Complex LOM Plan and Media Luna Preliminary Economic Assessment" dated effective March 31, 2018 (the "**Technical Report**") prepared by Daniel H. Neff, P.E., Robert Davidson, P.E., Dawson Proudfoot, P.Eng., Clifford Lafleur, P.Eng., James Joseph Monaghan, P.Eng., Paul Kaplan, P.E., Bert J. Huls, P.Eng., Mark Hertel, SME Registered Member, and Michael Levy, MSc., P.E., P.G., P.Eng. Each author is a "qualified person" for the purposes of NI 43-101 and independent of the Company, with the exception of Dawson Proudfoot who is the Vice President, Engineering of the Company, Clifford Lafleur who is the Director of Technical Services of the Company, and James Joseph Monaghan who was employed as the Principal Mining Engineer of the Company during the preparation of the Technical Report. Each author has reviewed and approved the technical and scientific information that has been summarized from the Technical Report in this AIF.

The summary and all references to the Technical Report are qualified in their entirety by reference to the complete text of the Technical Report, which is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.torexgold.com.

Technical terms not defined herein are defined in the Appendix "A" – Glossary of Technical Terms. The terms "mineral resource", "inferred mineral resource", indicated mineral resource", "measured mineral resource", "mineral resource", "probable mineral reserve", and "proven mineral resource" have the meanings ascribed thereto in NI 43-101.

Project Description, Location, and Access

The ELG Mine Complex and Media Luna Project are located in Guerrero State, Mexico, approximately 200 km south–southwest of Mexico City, 60 km southwest of Iguala and 35 km northwest of Mezcala. The closest village, Nuevo Balsas, is a small agricultural-based community with a population of approximately 1,700. Access to the ELG Mine Complex is via two routes; from the north by narrow, paved highway from Iguala and from the east by the East Service Road which connects the ELG Mine Complex to Highway I-95. The Media Luna Project is located approximately 48 km south–southwest of Iguala and 13 km west of Mezcala. The Media Luna Project is accessed via a gravel road from the town of Mezcala or by boat from Nuevo Balsas and then via a gravel road.

Both the ELG Mine Complex and Media Luna Project are located near established power and road infrastructure at Mezcala and near centers of supply for materials and workers at Chilpancingo, Iguala and Cuernavaca. The nearest port is Acapulco, Mexico.

The area (Reducción Morelos Norte claim block) is wholly owned by Torex through its Mexican subsidiary, Minera Media Luna, S.A. de C.V. ("**MML**").

MML is the registered holder of a 100% interest in the Morelos Gold Property in the State of Guerrero, Mexico.

The Morelos Gold Property consists of seven mineral concessions, covering a total area of approximately 29,000 ha. All concessions were granted for a duration of 50 years. All licenses are held in the name of MML.

Type of Tenure	Issuance Date	Expiration Date	Duration	Area (ha)
Mining Concession No. 188793 (La Fe)	November 30, 1990	November 28, 2040	50 years	20
Mining Concession No. 214331 (El Cristo	September 6, 2001	September 5, 2051	50 years	20
Mining Concession No. 214332 (El Palmar)	September 6, 2001	September 5, 2051	50 years	429.5
Mining Concession No. 214333 (El Anono)	September 6, 2001	September 5, 2051	50 years	25
Mining Concession No. 214334 (San Francisco)	September 6, 2001	September 5, 2051	50 years	27
Mining Concession No. 217558 (Apaxtla 2)	July 31, 2002	July 30, 2052	50 years	2,263.2
Mining Concession No. 224522 (Reducción Morelos Norte)	May 17, 2005	May 16, 2055	50 years	26,261.5
Total Hectares				**29,046.2**

There is a 2.5% royalty payable to the Mexican government on minerals produced and sold from the Reducción Morelos Norte Concession. Duty payments totaling 8,601,170 pesos were made during 2017.

Torex has surface rights to all land required for the operation of the ELG Mine Complex. In addition to these long-term lease agreements, Torex has executed a land use agreement with the Punta Sur Balsas Ejido which covers current exploration and is convertible to cover access for mining of the Media Luna Project.

There are no significant factors or risks known to Torex that might affect access or title, or the right or ability to perform work on the ELG Mine Complex and Media Luna Project. However, MML does experience illegal blockades from time to time as the local communities adjust to being part of a large industrial-based economy.

History

In 1995, the former Morelos Gold Property mineral reserve, created in 1983, was divided into a northern and southern portion and portions were allocated to mining companies through lottery. A joint venture

vehicle between Miranda Mining Development Corporation and Teck Resources Ltd. ("**Teck**"), called MML submitted the winning bid for the Morelos Norte license in mid-1998.

In 1998, the first year of exploration, work comprised of data review, regional geological mapping, rock chip collection and silt sampling. During 1999, additional regional-scale reconnaissance work was undertaken, consisting of additional geochemical sampling and mapping. By 2000, the El Limón and Media Luna oxide mineralization had been discovered. A trenching program was followed up by reverse circulation drilling, totalling 1,888m.

During 2001, additional drilling, which included 11,088 m intersected skarn-hosted gold mineralization at El Limón and Los Guajes East. A test induced polarization geophysical program was undertaken to identify the areas of sulphide mineralization.

From 2002, core drilling methods were used. A program of 4,265 m of core drilling was focused on the El Limón North Oxide and Los Guajes East prospects during 2002. The same program intersected the blind Los Guajes West skarn. A first-pass mineral resource estimate was undertaken by Teck personnel, based on the reverse circulation drilling. A total of 20 line-km of induced polarization survey were completed, outlining a number of highs.

Mineralization characterization studies to support metallurgical testwork were initiated. During 2003, a total of 3,781 m of core drilling focused on the El Limón and Los Guajes West areas and the El Limón Sur oxide zone was discovered. Shallower mineralization in the vicinity of the Los Guajes West skarn, the Limón Sur oxide zone and the Azcala, La Amarilla and El Naranjo targets were the target of approximately 10,111 m of core drilling in 2004. Additional metallurgical testwork was undertaken on the drill core and the mineral resource estimate was updated.

A total of 22,580 m of drilling was completed in 2006 over the El Limón East, Los Mangos and La Amarilla areas. Detailed mapping and rock and soil sampling continued at the El Querenque and Azcala areas, with encouraging results from soil sampling obtained at El Querenque. In 2007, drilling comprising 33,603 m was undertaken at the El Limón East, Los Mangos and La Amarilla areas. Mineral resource estimates were again updated. Additional drilling in 2008 (10,544 m) was undertaken at the Guajes and Guajes West zones, Los Mangos and El Querenque.

Through an agreement dated August 6, 2009, Gleichen Resources Ltd. ("**Gleichen**") acquired 78.8% of the property from Teck via the acquisition of 100% of Oroteck Mexico S.A. de C.V. ("**Oroteck**") from Teck's subsidiaries Teck Metals Ltd. and Teck Exploration Ltd. for a purchase price of $150 million and a 4.9% stake in Gleichen. Oroteck was the holding entity for Teck's 78.8% interest in the joint venture company MML. The remaining 21.2% interest in MML was purchased from Goldcorp Inc. by Gleichen on February 24, 2010. On May 4, 2010, Gleichen changed its corporate name to Torex Gold Resources Inc.

Geological Setting, Mineralization, and Deposit Types

The Guerrero platform is occupied by a thick sequence of Mesozoic carbonate rocks successively comprising the Morelos, Cuautla and Mezcala Formations and has been intruded by a number of early Tertiary-age granitoid bodies. The carbonate sequence is underlain by Precambrian and Paleozoic basement rocks. The Cretaceous sedimentary rocks and granitoid intrusions are unconformably overlain by a sequence of intermediate volcanic rocks and alluvial sedimentary rocks (red sandstones and conglomerates) which partially cover the region. The Mesozoic succession was folded into broad north–south-trending paired anticlines and synclines as a result of east-vergent compression during Laramide

time (80–45 million years). The Morelos Gold Property area lies at the transition between belts of overthrust rocks to the west and more broadly-folded rocks to the east.

Regional structures include sets of northeast and northwest-striking faults and fractures which cut both the carbonate sequence and the intrusive rocks. The distribution of intrusive bodies in northwest-trending belts is thought to reflect the control on their emplacement by northwest trending faults.

Regional mineralization styles comprise skarn-hosted and epithermal precious metal deposits and volcanogenic massive sulphide deposits. In Guerrero, these occur as two adjacent arcuate belts, with the gold belt lying to the east and on the concave margin of the massive sulphide belt. Both belts are approximately 30 km wide and over 100 km long, from northwest to southeast.

The area under mineral tenure is characterized by a structurally-complex sequence of Morelos Formation (marble and limestone), Cuautla Formation (limestones and sandstones) and Mezcala Formation (shale and sandstone) intruded by the El Limón granodiorite stock and later felsic dikes and sills.

Three major deposits and one smaller deposit have been delineated to date: Major deposits include – El Limón (includes El Limón Sur), Guajes, and Media Luna and a smaller deposit, Sub-Sill. Gold and silver mineralization at the ELG deposits extends over 3,700 m along strike with widths up to 90 m. Copper, gold and silver mineralization at Media Luna covers at least an area of 1.4 km x 1.2 km, with widths ranging from 4 m to greater than 70 m in thickness.

Gold mineralization at El Limón occurs in association with a skarn body that was developed along a 2 km- long corridor following the northeast contact of the El Limón granodiorite stock. Significant gold mineralization at El Limón is dominantly associated with the skarn, preferentially occurring in pyroxene-rich exoskarn but also hosted in garnet-rich endoskarn that has been affected by retrograde alteration.

The main El Limón intrusion consists of an approximately peanut-shaped stock of granodiorite composition, which is approximately 6 km long by 2.5 km wide and has a general elongation of N45W. Usually, the skarn is developed along the contacts with this stock, although the important bodies are controlled by major northwest and northeast structures coincident with the Cuautla Formation position and the intrusive contacts. The contact of the intrusion at El Limón, although irregular, is generally quite steep and almost perpendicular to bedding.

The El Limón Sur Zone occurs approximately 1 km south of the main El Limón skarn deposit and outcrops on a steep ridge extending down the mountain towards the Balsas River. The El Limón Sur area is underlain by a similar stratigraphic succession as the southeastern portion of the El Limón deposit.

The Sub-Sill area is located between the El Limón and El Limón Sur ore deposits and under the El Limón Sill. At the Sub-Sill area, several skarn zones have been identified along the contacts of the carbonate rich sediments and marbles of the Cuautla and Morelos formations and sills of granodiorite interpreted as fingering out from the main El Limón granodiorite intrusion stocks. High grade gold mineralization has been intercepted in all the different skarn horizons, mainly associated with exoskarns with retrograde alteration.

Structurally, the Sub-Sill target area as well as El Limón and El Limón Sur ore deposits are hosted in a graben bounded by La Flaca fault to the west and the Antena fault to the east, and both are considered to be potential feeders for the mineralization.

The Guajes East skarn zone is developed in the same lithologies on the opposite side of the same intrusion that is present at El Limón. Drilling indicates that the skarn development at Guajes East is 300 m wide, up to 90 m thick, and is continuous along at least 600 m of the northwest edge of the intrusion.

The Guajes West area is located along the northwest contact of the El Limón granodioritic stock. Surface geology is represented by the hornfels–intrusive contact with some local patchy and structure-controlled skarn occurrences. The skarn formed at the contact between hornfels and marble; however, in addition to proximity to the granodioritic stock there are numerous associated porphyritic dikes and sills.

The Media Luna deposit is located on the south side of the Balsas River, approximately 7 km south south-west of the ELG Mine Complex.

The surface geology of the Media Luna Project is dominated by Morelos Formation limestone which is intruded by numerous feldspar porphyry dikes and sills.

Systematic drilling has identified a gold-copper-silver mineralized skarn with approximate dimensions of 1.4 km x 1.2 km and ranging from 4 m to greater than 70 m in thickness. Skarn alteration and associated mineralization is open on the southeast, southwest, west and northwest margins of the area.

The deposits and occurrences are considered to be examples of gold- and gold–copper-type skarn deposits.

Exploration

Since purchase of the Property, Torex has focused its work programs in two distinct geographic areas, north and south of the Balsas River as the mineral tenure holding is bisected by the Balsas River. Work in the area north of the Balsas River has concentrated around the El Limón and Guajes deposits and has resulted in the development and operation of the ELG Mine Complex. Exploration activity south of the Balsas River has primarily concentrated on the Media Luna deposit.

During the first years of ownership, Torex's efforts on the north side of the river were focused on upgrading and expanding the ELG deposit. This work was successfully completed and resulting mineral resources were the basis for a Feasibility Study and subsequent construction decision in 2012. Construction of the mine commenced in 2013, and first production began in late 2015.

In mid-2013, an airborne ZTEM and magnetic survey was conducted that covered the entire mineral tenure area. During 2014, infill drilling work was undertaken in the El Limón Sur area adjacent to the planned El Limón pit. The results supported an update to the estimated mineral resources for El Limón Sur. Mining of the El Limón Sur deposit commenced in 2017.

In 2015, based on an understanding gained in interpreting the Media Luna deposit an exploration target was identified near the El Limón and El Limón Sur deposits. In early 2016, it was decided to follow up on earlier drilling in this area that occurred at a time prior to the learnings from Media Luna. The first follow-up hole returned a positive intersection and the program was expanded. The newly found deposit was located under the El Limón Sill, and named Sub-Sill (the El Limón deposit is located above this sill). A total of 27,248 m of drilling in the Sub-Sill area was completed during 2016-2017, leading to the mineral resource in the Technical Report. Drilling continues on this deposit, with the goals of providing additional definition to aid mining, infill drilling to upgrade the confidence class of mineral resources, and step-out drilling to add to mineral resources. Drilling to date demonstrates the continuity of the gold mineralization.

In late November of 2016, an exploration ramp was collared to provide underground access to both the Sub-Sill zone as well as the ELD target which is the down dip extension of the El Limón deposit being mined via open pit. In June 2017, the Sub-Sill ramp intersected the Sub-Sill deposit. By November 2017, the ELD ramp had reached its phase 1 target and will now be used as a drill platform to infill the ELD deposit with the goal to upgrade the mineral resource and support mine planning.

As part of the mining operations, Torex undertakes pit infill drilling, in pit mapping and geological reconciliation. This information contributes to the data that is used when mineral resource updates are completed.

On the south of the Balsas River, during 2010 to 2013, Torex completed the following work; reconnaissance mapping, 1:5,000 scale geological mapping, systematic road-cut channel sampling and core drilling on various targets. Drilling in this area consists of a total of 304 drillholes (154,906.7 m), including 283 core holes (150,423.7 m) and 21 RC drillholes (4,483 m). The work covered a number of target areas, but with the discovery of Media Luna deposit in 2012, the bulk of geological work south of the Balsas River has since focused on the Media Luna deposit.

A first-time mineral resource estimate for the Media Luna deposit was completed in 2013 and updated in 2015. The 2015 update was based on additional drilling was carried out during 2014 and 2015 which expanded the mineral resource to the northwest. The mineral resource presented in the Technical Report includes drill/assay information up to June 23, 2015.

During 2014, target generation work was undertaken, and 10 new target areas were defined that are considered drill prospects. Initial wide-spaced reconnaissance drilling was completed in some of the new targets in 2014.

In September of 2017, an infill drilling program was started in the Media Luna deposit. The purpose of this program is to upgrade the confidence level of the current inferred mineral resources. The program that is currently planned contains 175 holes, averaging 600 m in depth, for a total of 105,000 m of drilling. After the completion of this program, Torex plans to prepare a measured and indicated mineral resource estimate to support further mine planning.

Drilling

Drilling completed during the Teck ownership, between 2000 and 2008, referred to as legacy drilling, comprised of 619 drillholes (98,774.1 m), including 558 core holes (88,821.0 m) and 61 RC holes (9,953.1 m).

From 2009 until the end of 2017, Torex has completed 1,636 core holes (332,347.9 m) and 110 RC holes (8,791.5 m). Additional drilling has been completed in 2018, as drilling is an ongoing process at the Property which will allow Torex to continue to refine its mineral resources and reserves.

Diamond drilling typically recovered HQ size core (63.5 mm) from surface and was only reduced to NQ size core (47.6 mm) when drilling conditions warranted, in order to drill deeper.

Drillhole collars were initially surveyed using differential GPS. All subsequent drillholes have been surveyed using the Total Station instrument, and locations of older holes picked up using Total Station methods such that all drill collar data are now sourced from the Total Station.

Drillholes were and are designed to intersect the mineralization in the most perpendicular manner as possible; reported mineralized intercepts are typically longer than the true thickness of the mineralization. Drillholes that orthogonally intersect the mineralized skarn will tend to show true widths. Drillholes that

obliquely intersect the mineralized skarn will show mineralized lengths that are slightly longer than true widths. A majority of the drillholes have been drilled obliquely to the skarn mineralization.

Sampling, Analysis, and Data Verification

Sample preparation and analytical laboratories used during Teck's exploration programs included ALS Chemex, Laboratorio Geológico Minero who was independent of Teck, and Global Discovery Laboratory who was Teck's in-house laboratory.

Sample preparation and analytical laboratories used by Torex include SGS Nuevo Balsas, SGS Toronto, SGS Vancouver, Acme Vancouver, Acme Guadalajara and TSL laboratories. The Nuevo Balsas laboratory is owned by Torex, and operated by SGS under a service agreement. The other SGS laboratories are independent of Torex.

Sample preparation and analytical methods have varied slightly by drill program. The procedures are in line with industry-standards at the time the work was completed. Sample security is consistent with industry standards. The samples were always attended or locked in the onsite sample preparation facility. Chain-of-custody procedures consist of filling out sample submittal forms that are sent to the laboratory with sample shipments to make certain that all samples are received by the laboratory.

The QA/QC program results do not indicate any problems with the analytical programs, therefore the analyses from the core drilling were determined to be suitable for inclusion in mineral resource estimation.

Data verification has been undertaken in support of compilation of technical reports in the period 2005 to 2017. Work completed included database review, QA/QC checks and independent analytical verification of the presence of gold silver and copper mineralization.

The data verification programs undertaken on the data collected from the Morelos Gold Property adequately support the geological interpretations and the analytical and database quality. It has therefore been deemed to support the use of the data in mineral resource estimation.

Mineral Processing and Metallurgical Testing

The ELG processing plant was designed and built based on several metallurgical test programs. All initial metallurgical test programs were completed by independent commercial metallurgical laboratories. After plant start-up at ELG, additional test work has been carried out both internally and at external laboratories. Drill core from exploration drilling was sampled and used for metallurgical testing for initial plant design. Follow-up test work was carried out on ROM ore samples as they became available. The selection of drill core was made with the usual standard of care so that the samples submitted for testing represent all the mineralized rock types within the mineralized area.

The operating results form the basis of the process results. Since declaration of commercial production gold recovery has averaged 86.1% (range of 75 – 90%) and silver has averaged 22.8% (range of 3 - 43%). In the Technical Report, recoveries used in the financial model for ELG Open Pit ore is set at 86.5% for 2018 and 87% for future years for gold and 23% for silver for 2018 and future years. Recovery values are about 2% below extraction values as losses are incurred to remove gold and silver from solution into doré. With operational focus on the CIP process, this gap could be reduced.

After plant start-up, the Company identified an issue with the quality of doré. Additional test work was carried out both internally and at external laboratories. Elevated levels of cyanide soluble copper in the ore were determined to be the cause. This issue is being permanently addressed with the addition of a

SART plant to the process, which began operation late in the second quarter of 2018 and is now in full operation.

Sub-Sill ore is expected to have a weighted average recovery of ~85% for Au and 26.2% for Ag through the existing ELG processing plant.

Bond work index weighted average is 16.34 kWh/t. The ore is considered moderate hard to hard. To achieve the steady state level of 14,000 tpd balancing of the grinding circuit is underway. Test work showed that a K80 grind size of 90 microns (operating range 80 to 100) provided the same recovery as the planned grind size of 67 um.

For Media Luna mineralized material, laboratory tests indicate estimated expected recoveries of 88.8% for copper, 85.1% for gold and 75% for silver. Following is the proposed process flow for Media Luna mineralized material. After grinding in the existing comminution circuit, Media Luna mineralized material will be processed in a sequential flotation circuit to generate two concentrates. One is a commercial grade copper/gold/silver concentrate for sale onto the world market, the other an Fe-S concentrate that will be leached for precious metals prior to use as backfill material. Flotation tailings will be leached in the existing ELG cyanidation/CIP process to recover precious metals as doré. Liquid/solid separation tests on residue of leached flotation tails achieved high-pressure filtration rates with good discharge and stacking properties at reasonable drying times. The expectation is that Media Luna tailings can be handled by the existing ELG tailing filters.

Mineral Resource and Mineral Reserve Estimates

Mineral Resource Estimate

Mineral resources are reported inclusive of those mineral resources converted to mineral reserves, using the CIM Standards. Mineral resources are reported as undiluted.

El Limón and Guajes

Mineral resources (El Limón including El Limón Sur and Guajes) potentially amenable to open pit mining methods were classified using the rules listed below. In order for a block to be a classified as a mineral resource block, it must have the confidence class value assigned, and have a gold grade of 0.7 g/t Au or greater.

1. Measured mineral resource

   Mineral resources are classified as measured when a block was located within 15 m of the nearest composite and two composites from two additional drillholes was within 22 m. Drillhole spacing for measured resources would broadly correspond to a 20 m x 20 m grid.

2. Indicated mineral resource

   Mineral resources were classified as indicated when a block was located within 28 m of the nearest composite and one additional composite from another drillhole was within 40 m. Drillhole spacing for indicated resources would broadly correspond to a 36 m x 36 m grid.

3. Inferred mineral resource

   Mineral resources were classified as inferred when a block was located within 60 m of the nearest composite. Drillhole spacing for declaration of inferred mineral resources would broadly correspond to a 60 m x 60 m grid.

Mineral resources for El Limón and Guajes are summarized in the table below.

Mineral Resource Statement, Effective December 31, 2017, El Limón and Guajes

	Tonnes (Mt)	Au Grade (g/t)	Ag Grade (g/t)	Contained Au (Moz)	Contained Ag (Moz)
El Limón (including El Limón Sur)					
Measured	7.99	2.86	5.02	0.73	1.29
Indicated	20.77	2.87	5.07	1.92	3.38
Subtotal Measured and Indicated	**28.76**	**2.87**	**5.05**	**2.65**	**4.67**
Inferred	3.27	1.71	4.05	0.18	0.43
	Tonnes (Mt)	**Au Grade (g/t)**	**Ag Grade (g/t)**	**Contained Au (Moz)**	**Contained Ag (Moz)**
Guajes					
Measured	2.19	2.53	2.28	0.18	0.16
Indicated	9.10	2.82	2.79	0.82	0.82
Subtotal Measured and Indicated	**11.29**	**2.76**	**2.69**	**1.00**	**0.98**
Inferred	0.45	1.49	2.60	0.02	0.04
	Tonnes (Mt)	**Au Grade (g/t)**	**Ag Grade (g/t)**	**Contained Au (Moz)**	**Contained Ag (Moz)**
El Limón and Guajes					
Measured	10.18	2.78	4.43	0.91	1.45
Indicated	29.87	2.86	4.37	2.74	4.20
Total Measured and Indicated	**40.05**	**2.84**	**4.39**	**3.65**	**5.65**
Inferred	3.72	1.68	3.87	0.20	0.46

Notes to accompany El Limón and Guajes mineral resource table

1. The qualified person for the estimates is Mark Hertel, RM SME, an MPH Consulting employee. The estimates have an effective date of December 31, 2017.
2. Mineral resources are reported using topography with mining progress as of December 31, 2017. Mining progress applies to both El Limón and Guajes mineral resources. Stockpiled material is not included within the resource table above.
3. Mineral resources are reported above a 0.7 g/t Au cut-off grade and constrained within a conceptual open pit shell.
4. Mineral resources are reported using a long-term gold price of US$1,380/oz, silver price of US$21.00/oz. The metal prices used for the mineral resource estimates are based on long-term consensus prices. The assumed mining method is open pit, mining costs used are US$2.18/tonne, processing costs US$19.09/tonne, general and administrative US$8.80/tonne processed. Metallurgical recoveries are assumed to be 87% for gold and 32% for silver. Assumed pit slopes range from 33 to 49 degrees.
5. Mineral resources are reported as undiluted; grades are contained grades.
6. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade, and contained metal content.
7. El Limón Sub-Sill Underground mineral resource has been excluded from the open pit mineral resource.
8. Mineral resources are reported inclusive of those mineral resources that have been converted to mineral reserves. Mineral resources that are not Mineral reserves do not have demonstrated economic viability.

Sub-Sill Underground

Sub-Sill mineral resources are potentially amenable to underground mining methods and all are classified using the rules listed below. From the drillhole spacing study, which uses the composite CV, variogram parameters, production rate, and kriging variance at various drill spacings, the following rules for the classification were defined.

1. Indicated mineral resource

   A drill spacing of 17.5 m by 17.5 m is required using a cut-off of 2.5 g/t Au. Two drillholes are required to be found within 19 m of the block centroid, and one of the two must be within 14 m. The block must be coded as skarn.

2. Inferred mineral resource

   This requires a block to be estimated within the variogram range, coded as skarn, and a drill spacing of approximately 35 m by 35 m. The block must have a grade of 2.5 g/t Au or greater.

   Measured mineral resources are not defined for the Sub-Sill at December 31, 2017.

Mineral resources for Sub-Sill are summarized in the table below.

Mineral Resource Statement, Effective December 31, 2017, Sub-Sill Underground

	Tonnes (Mt)	Au Grade (g/t)	Ag Grade (g/t)	Cu Grade (%)	Contained Au (oz)	Contained Ag (oz)
Indicated	1.29	8.09	10.22	0.50	336,085	424,492
Inferred	0.65	9.09	10.79	0.60	191,087	226,919

Notes to accompany Sub-Sill Underground mineral resource table

1. The qualified person for the estimate is Mark. P. Hertel, RM SME, an MPH Consulting employee. The estimate has an effective date of December 31, 2017.
2. Mineral resources are reported above a 2.5 g/t Au cut-off grade.
3. Mineral resources are reported as undiluted; grades are contained grades.
4. Mineral resources for the Sub-Sill that are contained within the conceptual pit shell have been removed from the ELG mineral resource estimate.
5. Mineral resources are reported using a long-term gold price of US$1,380/oz, and silver price of US$21.00/oz.
6. The assumed mining method is from underground.
7. Metallurgical recoveries are assumed to be 87% for gold and 32% for silver.
8. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade, and contained metal content.
9. Mineral resources that are not reserves do not have demonstrated economic viability.

Media Luna Underground

Media Luna mineral resources are potentially amenable to underground mining methods and are classified using the rules listed below. The following rules must be met for a block to be classified as an inferred mineral resource:

- Drill spacing of 100 m grid
- Two drillholes within 110 m
- Block must be within 3D modeled skarn zone
- Au Equivalent (AuEq) = Au (g/t) + Cu % *(79.37/47.26) + Ag (g/t) * (0.74/47.26)
- Block gold equivalent grade of 2.0 g/t AuEq or higher

Measured and indicated mineral resources are not defined for Media Luna at this time.

Mineral resources for Media Luna are summarized in the table below. The sensitivity of the estimate to changes in the selected AuEq cut-off grade are also shown in the table below, with the 2 g/t AuEq base case highlighted.

Mineral Resource Statement, Effective June 23, 2015, Media Luna (base case is highlighted)

Cut-off AuEq (g/t)	Tonnes (Mt)	AuEq Grade (g/t)	Au Grade (g/t)	Ag Grade (g/t)	Cu Grade (%)	Contained AuEq (Moz)	Contained Au (Moz)	Contained Ag (Moz)	Contained Cu (M lb)
1.0	79.3	3.42	1.74	21.28	0.80	8.72	4.45	54.26	1,405.03
1.5	63.9	3.94	2.07	24.01	0.90	8.11	4.25	49.33	1,269.15
2.00	51.5	**4.48**	**2.40**	**26.59**	**0.99**	7.42	3.98	44.02	1,128.50
2.5	41.4	5.02	2.75	28.81	1.09	6.69	3.66	38.35	996.74
3.0	33.9	5.53	3.06	31.18	1.18	6.02	3.34	33.96	884.44
3.5	27.6	6.05	3.40	33.37	1.27	5.37	3.02	29.65	776.49

Notes to accompany Media Luna mineral resource table

1. The qualified person for the estimate is Mark Hertel, RM SME, an MPH Consulting employee. The estimate has an effective date of June 23, 2015.
2. Au Equivalent (AuEq) = Au (g/t) + Cu % *(79.37/47.26) + Ag (g/t) * (0.74/47.26)

3. Mineral resources are reported using a 2 g/t Au Eq. grade
4. Mineral resources are reported as undiluted; grades are contained grades. Mineral resources that are not Mineral Reserves do not have demonstrated economic viability.
5. Mineral resources are reported using a long-term gold price of US$1470/oz, silver price of US$23.00/oz, and copper price of US$3.60/lb. The metal prices used for the mineral resource estimates are based on Amec Foster Wheeler`s internal guidelines which are based on long-term consensus prices. The assumed mining method is underground, costs per tonne of mineralized material, including mining, milling, and general and administrative used were US$50/t to US$60/t. Metallurgical recoveries average 88% for gold and 70% for silver and 92% for copper.
6. Inferred blocks are located within 110 m of two drillholes, which approximates a 100 m x 100 m drillhole grid spacing
7. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade, and contained metal content.

Mineral Reserve Estimate

ELG Mine Complex proven and probable mineral reserves are summarized in the tables below.

ELG Open Pit Mine - Mineral Reserves Estimate

Mineral Reserve Statement, ELG Open Pit Mine – effective date March 31, 2018

Reserve Category	Tonnes (Mt)	Au Grade (g/t)	Ag Grade (g/t)	Contained Au (Moz)	Contained Ag (Moz)
El Limón (including El Limón Sur) - Note 3					
Proven	6.54	2.95	4.51	0.62	0.95
Probable	14.28	3.03	4.19	1.39	1.93
Sub-total Proven & Probable	20.81	3.00	4.29	2.01	2.87
Guajes - Note 3					
Proven	1.66	2.36	1.68	0.13	0.09
Probable	6.87	2.84	2.64	0.63	0.58
Sub-total Proven & Probable	8.53	2.75	2.45	0.75	0.67
Mined Stockpiles					
Proven	0.54	1.51	7.90	0.03	0.14
ELG Low Grade - Note 4					
Proven	1.13	0.80	2.12	0.03	0.08
Probable	2.32	0.80	1.90	0.06	0.14
Sub-total Proven & Probable	3.45	0.80	1.98	0.09	0.22
Total El Limón Guajes					
Proven	9.87	2.53	3.94	0.80	1.25
Probable	23.46	2.75	3.51	2.08	2.65
Total Proven & Probable	33.33	2.69	3.64	2.88	3.90

Notes to accompany mineral reserve table:

1. Mineral reserves are based on Guajes, El Limón and El Limón Sur measured and indicated mineral resources with an effective date of December 31, 2017.
2. Mineral reserves are reported based on open pit mining within designed pits and incorporate estimates of 15% dilution and 5% mining losses.
3. El Limón and Guajes mineral reserves are reported above diluted cut-off grades of 0.9 g/t Au for the Guajes and El Limón pits and 1.0 g/t Au for the El Limón Sur pit. The cut-off grades and pit designs are considered appropriate for metal prices of US$1,200/oz gold and US$17/oz silver, process recoveries averaging 87% for gold (83% for near cut-off grade ore) and 23% for silver and estimated mining, processing, and G&A unit costs during pit operation.
4. ELG Low Grade mineral reserves are reported above a diluted cut-off grade of 0.7 g/t Au and below the higher cut-off grades identified in Note 3. It is planned that ELG Low Grade mineral reserves within the designed pits will be stockpiled during pit operation and processed during pit closure. The Low Grade cut-off is considered appropriate for a gold price of US$1200/oz,a gold process recovery of 83% and estimated ore rehandle, processing, and G&A unit costs during pit closure.
5. Mineral reserves were developed in accordance with the CIM Standards.
6. Rounding may result in apparent summation differences between tonnes, grade, and contained metal content.
7. The qualified person for the mineral reserve estimate is Dawson Proudfoot, P. Eng. the Vice President of Engineering of the Corporation.

Contained gold in the proven and probable mineral reserves is 21.9% less than contained gold in the measured and indicated mineral resources. Approximately 6% of the difference in contained gold is attributed to the higher cut-off grades utilized to define mineral reserves, incorporation of mining losses and dilution in mineral reserve estimates, and mineral resource depletion due to mining in Q1 2018. The

remaining 15.9% is gold contained principally in indicated mineral resources that are located outside the ultimate pit designs. The ultimate pits are smaller than the conceptual pit shell utilized to report mineral resources.

Mineral reserves have decreased by 3.3 Mt and contained gold has decreased by 0.21 Moz compared to the EY2017 mineral reserve estimates reported in Torex's 2017 Annual Information Form. Actual mining and processing during Q1 2018 contributed to the change to mineral reserves, however the major contributor was pit design changes. A pit optimization analysis utilizing long term metal prices forecasts and estimated unit costs during mine operation indicated modifications to the open pits to reduce waste stripping would benefit mine economics, and pit redesigns guided by the pit optimization results were implemented.

Reconciliations comparing plant feed with mineral reserve depletion from the start of commercial production through Q1 2018 indicate that over this period the in-pit mineral reserve model was a good predictor of the gold grade and tonnage of the mined areas, with tonnage, gold grade, and gold content comparison factors of 0.98, 0.99, and 0.97, respectively. At this time, it is concluded that no adjustment is required to the current ore control procedures for the open pit. Reconciliation results to date indicate that the mineral reserve model, which incorporates dilution and mining loss estimates, is a good predictor of the tonnes and gold grades identified in Guajes and El Limón open pit deposits.

ELG Underground Mine - Mineral Reserves Estimate

The mineral reserve estimate for the ELG Underground is solely based on indicated mineral resources identified at the Sub-Sill zone within the December 31, 2017 mineral resource estimate.

The underground mineral reserve estimate for the Sub-Sill zone was determined by applying the MCAF mining method to the three-dimensional block model. This was done in Deswik®, a commercially available mine planning software. The shapes were assessed against an insitu cut-off grade and an incremental cut-off grade. The mine plan was completed by including the development and infrastructure required to support the mining process and access the mining shapes.

ELG Underground Sub-Sill Zone Reserve - effective December 31, 2017

Reserve Category	Tonnes (Mt)	Au Grade (g/t)	Ag Grade (g/t)	Cu Grade (%)	Contained Au (Moz)	Contained Ag (Moz)
Proven						
Probable	0.522	10.90	11.16	0.58%	0.183	0.187
Total Proven & Probable	0.522	10.90	11.16	0.58%	0.183	0.187

Notes to accompany mineral reserve table:

1. Mineral reserves are based on Sub-Sill measured and indicated resources with an effective date of December 31, 2017.
2. Mineral reserves are reported based on underground MCAF mining with designed underground workings and incorporates estimates for 10% dilution and 10% mining losses.
3. Mineral reserves are reported above in-situ cut-off grades of 4.47 g/t Au for the Sub-Sill. The cut-off grades and underground mine design are considered appropriate for metal prices of US$1,200/oz and US$17/oz, and estimated mining, processing and G&A unit costs during mine operations.
4. Process plant recoveries for the ELG Underground average 84.5% for gold and 26.2% for sliver.
5. Mineral reserves were developed in accordance with the CIM Standards.
6. Rounding may result in apparent summation differences between tonnes, grades and contained metal content.
7. The qualified person for this mineral reserve estimate is Clifford Lafleur, P.Eng. the Director of Technical Services of the Corporation.

Mining Operations

ELG Open Pit - Mining Method

The ELG Open Pit is being mined by open pit mining method. The geotechnical design of pit slopes was initially carried out as part of the 2012 feasibility study. The slope designs continue to be reviewed and updated as additional data is collected and experience gained. Overall the rock mass has proven to be competent with geologic structure controlling stable bench face and interramp slope angles.

Groundwater and precipitation inflows to the Guajes Pit are being managed by a series of dewatering wells and in-pit dewatering systems, with pumping capacity primarily governed by runoff during storm events. Produced water is currently being pumped to onsite ponds. Similar dewatering systems will be employed within the EL Limón and El Limón Sur pits.

WRSFs are being developed by end dumping from platforms located at the crest elevation, since bottom-up construction is not considered practical due to the large elevation difference between the waste rock mining benches and the base of the WRSFs. In general, the foundation conditions are conducive to this type of WRSF construction. To ensure safe operation of the WRSFs, a safety zone has been established at the base of all WRSFs and safe waste rock placement procedures have been developed and utilized during mine operation. Surface water drainage from all of the WRSFs is being collected in surface water management ponds. At closure, the WRSF slopes will be re-graded to 2H:1V for long-term stability and safety.

LG pit optimization for the LOM plan was conducted based on long term metal price forecasts of US$1,200/oz for gold and US$17/oz for silver, process recoveries of 87% for gold and 23% for silver, and unit operating cost estimates sourced from the ELG 2018 budget and preliminary LOM forecasts. It is expected that G&A costs will be lower during the pit closure period, however the reduced G&A cost at that time is not considered in the pit optimization analysis, and therefore is not reflected in pit optimization results or in pit designs guided by pit optimization results.

A series of nested LG pit shells were generated by varying the gold price. Based on analysis of the resulting cash flow estimates on an incremental and present value basis, the pit shell generated using a gold price of $1,100/oz was selected to guide Guajes and El Limón ultimate pit design. Smaller nested shells were utilized to guide interior phase pit design.

The mine is in operation with multiple phase pits previously designed. The Guajes East pit, which is near completion, and the El Limón Sur pit, which approximates the selected $1,100/oz pit shell, were not redesigned. The Guajes ultimate phase pit, an interior Guajes phase pit, the El Limón ultimate phase pit and two interior El Limón phase pits were redesigned based on pit optimization results.

WRSFs are designed to minimize (where possible) the haul truck cycle time for each pit, considering the terrain, access road and facility layout, pit waste disposal requirements, waste rock re-sloping requirements, and waste rock capacity constraints. The Guajes WRSF is located in the valleys to the west of the pit. Guajes waste rock is also utilized to buttress the FTSF slopes on an ongoing basis for stability and closure purposes. It is also hauled to the Buttress WRSF located downhill from the El Limón WRSF. El Limón waste rock is hauled to the El Limón WRSF located to the north of the pit on the slopes above the Buttress WRSF.

Groundwater inflow to the proposed pits was predicted based on development of a 3-D numerical groundwater flow model. Maximum passive groundwater inflow rates are predicted to be low due to the low hydraulic conductivity of surrounding country rock (approximately 210 m^3/d, 100 m^3/d, and 21 m^3/d for the Guajes, El Limón, and El Limón Sur pits, respectively). Groundwater inflow to the Guajes Pit is

being managed through an in-pit dewatering system (diesel-powered pump). Several bedrock dewatering wells are intercepting groundwater that would otherwise flow to the pits. Collectively, these wells are pumping approximately 27 m^3/day. Although ongoing groundwater modeling efforts may result in refinements to the above estimates, values are not expected to change significantly.

Ore quantities incorporate 5% mining loss and 15% dilution with grades of 0.13 g/t Au and 0.13 g/t Ag, which is supported by ongoing reconciliations of actual mining versus mineral resource depletion. ROM ore quantities are reported above diluted cut-off grades of 0.9 g/t Au for the Guajes and El Limón pits and 1.0 g/t Au for the El Limón Sur pit. ELG low grade ore, which is planned to be stockpiled during mine operation will be processed at pit closure when G&A costs are projected to be lower. It is reported above a diluted cut-off grade of 0.7 g/t Au for all pits. Silver is excluded from cut-off grade estimation since it is a minor contributor to revenue compared to gold.

The designed pits, as of March 31, 2018, are estimated to contain a total of 32.8 Mt of ore with average grades of 2.71 g/t Au and 3.57 g/t Ag. The pits also contain 189 Mt of primary waste rock for an overall strip ratio of 5.8:1. ROM ore stockpiles as of March 31, 2018 total 0.54 Mt with grades of 1.51 g/t Au and 7.9 g/t Ag.

The main pit production schedule objective is providing sufficient ROM ore to meet process plant capacity, which is estimated at 13,000 tpd in 2018 and 14,000 tpd (5.04 Mt/a) thereafter. Sub-Sill underground ore will supplement open pit ore feed to the process plant. Other scheduling constraints include maintaining sufficient ROM ore inventory to facilitate ore blending and/or to maximize the process plant head grade early in the LOM plan, and mining sufficient Guajes waste rock to meet the Buttress WRSF development schedule and providing ongoing waste rock buttressing of the FTSF.

Open pit mining is scheduled to be complete in early 2024. The mining rate peaks at approximately 50 Mt/a in 2019 and 2020 before declining. Mining quantities moved include primary ore and waste mined, plus ore and waste rehandle. Waste rehandle is primarily the result of dozer mining of the early benches, high up on the hill, that were not accessible by haul truck. The waste was pushed over the edge of the hill and is rehandled when mining gets down to the benches that the waste was pushed onto. ROM ore rehandle is a result of ore blending to smoothen plant head grades and/or improve head grades early in the mine life. Ore rehandle also includes all ELG low grade ore, which is scheduled to be stockpiled during mine operation and rehandled to the process plant during pit closure in 2024.

ROM and low grade ore stockpiles peak at 5 Mt at the start of 2023, with 2 Mt located in the Guajes pit area and 3 Mt in the El Limón pit area. The El Limón ore stockpiles are scheduled to increase to 3.5 Mt by the start of 2024, which will necessitate some pit design modifications to provide haulage ramp access to the in-pit stockpile locations.

The ELG mining is carried out by the owner's workforce on a continuous 24 hour/day 365 day/year basis, with three production crews working a 20 day on-10 day off rotation. Contractors are utilized for El Limón Sur pit mining, which requires small scale mining equipment, for blasting services, and for production equipment maintenance under maintenance and repair contracts. Production equipment maintenance by the owner's workforce is being phased in during 2018. The mine workforce is expected to peak at 254 employees in 2019 and 2020 before declining.

Grade control is based on blasthole sampling and definition drilling. The explosive powder factor is forecast at 0.22 kg/t utilizing a combination of ANFO and emulsion explosives.

The ELG Mine Complex is in operation and most production equipment needed for the LOM plan was acquired from 2013 to 2017. Major production equipment on site includes three 114-mm and six 171-mm

drills equipped for down-the-hole hammer drilling, three 15- m^3 hydraulic shovels, four 12- m^3 wheeled loaders, 22 90-ton haulage trucks, seven bulldozers, three graders, two water trucks, and a small excavator. LOM plan equipment additions include three drills, two haulage trucks, a wheel bulldozer, and an additional small excavator. Seven production units are also scheduled to be replaced in 2019 and 2020 and a large number of units are scheduled for major overhauls over the four year period 2018 to 2021.

ELG Underground - Mining Method

MCAF is the mining method selected for the Sub-Sill zone of the ELG Underground. The mine currently has approximately 2,000 m of development accessed via a portal from surface. A second portal was started in July 2018 to connect to existing development it will provide a second means of egress, facilitate flow through ventilation and improve transport logistics.

A geotechnical evaluation has been completed for the ELG Underground Mine, showing fair to good rock in most areas with typical ground support requirements. A crown pillar with a thickness of 10 m is adequate for the proposed mine plan.

Mine inflows have been estimated to be between 2.2 and 81.3 L/s with a best estimate of 32.8 L/s.

Cut and fill stopes are planned to be 5 m high and are designed to an ore cut-off grade of 4.47 g/t. The stopes are accessed by an internal ramp.

Production from Sub-Sill is planned over 29 months which started in April 2018. The mine will be ramped up to steady state production in December 2018 and will continue for 18 months entering a short ramp down period in 2020. A program to explore the immediate area near Sub-Sill and El Limón Deep has been started, with the goal of upgrading and discovering additional resources to sustain and extend mining operations beyond the current 29 month mine life. See also "*Material Properties – Morelos Gold Property – Developments Since Effective Date of Technical Report*".

Media Luna – Mining Method

Underground mining is planned for Media Luna. Based on a review of the geology and shape of the Media Luna mineral resource along with a high level geotechnical review, LHOS was selected as the main mining method. In areas where the mineral resource is narrow, C&F would be utilized. Based on the conceptual mine plan, LHOS would contribute approximately 66% of the total production with the remaining 34% being C&F.

The Media Luna mineral resources are a shallow dipping skarn deposit with a dip of approximately 35° to the southwest and mineralization thickness varying between 5 m and 70 m. The mineralized skarn is located between marble hanging wall and granodiorite footwall.

A review of the Media Luna mineral resource identified two distinct and separate areas of higher tonnage and grade, and a third geographic separated. Based on this assessment, a conceptual mining plan was developed which establishes three independent mining zones of which two are in operation at any given time. The plan provides operational flexibility for planning and scheduling while targeting high grade material early in production life. The conceptual mine design considers the three zones as independent mining areas that share a main materials handling system to transport mineralized material across the Balsas River to the ELG process plant.

Processing and Recovery Operations

The ELG processing plant has been in operation since the end of 2015 and has processed over 8 million tonnes of ore to produce over 515,000 oz of gold. During this period cyanide leaching followed by carbon in pulp absorption has proven to be an effective recovery process. Since declaration of commercial production gold recovery has averaged 86.1% (range of 75 – 90%) and silver has averaged 22.8% (range of 3 - 43%). Recoveries used in the financial model for ELG Open Pit ore in the Technical Report is set at 86.5% for 2018 and 87% beyond for gold and 23% for silver. Soluble copper in the ore has proven to be an issue due to the high portion of recycle water used in the process. This issue will be permanently addressed with the addition of a SART plant to the process. See also "*Material Properties – Morelos Gold Property – Developments Since Effective Date of Technical Report*".

Test work has determined Sub-Sill ore is amendable for recovery of gold and silver through the existing processing plant. Recoveries expected are 84.5% Au, 26.2% Ag and 6.3% Cu; the copper recovery as a SART plant concentrate. Test work was also completed which indicated the Sub-Sill ore is amendable to flotation which could lead to increased recoveries for gold, silver and copper to respectively 88%, 83.8% and 78.1%.

Within the Media Luna PEA the ELG process feed plan is altered to "make room" for the Media Luna mineralized material. During the overlap period, a portion of the ELG ore is displaced and processed later. For the purposes of the Media Luna Project PEA, no costs or revenues are assumed for the processing of the ELG ore.

Infrastructure, Permitting, and Compliance Activities

Infrastructure

The current ELG Mine Complex infrastructure is sufficient for the remainder of the LOM. Power and water supply are adequate to meet the current demand. The power capacity is near maximum with maintaining 100% redundancy but there are no major planned process additions to the ELG Mine Complex and therefore the need to expand the power capacity is not required. There is a surplus of water for the plant if an increase in water demand is required.

A power study was undertaken in July 2017 to determine if additional power infrastructure was required with the addition of the horizontal belt filters and the SART plant. The conclusion of the report was that the capacity of the transformers feeding the plant was sufficient. Future load increases would result in a need to expand the supply and distribution system in order to maintain 100% redundancy. The current power demand has 100% redundancy with a second transformer.

Water supply for the ELG Mine Complex and camp is from a well field (3 wells) located near the village of Atzcala approximately 18 km east of the mine site. Torex has been granted a water concession from the Mexican national water commission for taking up to 5 million cubic meters of water per year. Current water requirements for the ELG Mine Complex and camp is estimated at 1 million cubic meters per year (~110 m3/hr), which provides for water availability for expansion at the current site or within the concessions.

On the operational site generally, clean water is diverted around the site and to the receiving environment. Water containing sediment is directed to sediment control ponds and water that has the potential to be in contact with reagents is retained within the overall plant and FTSF drainage and is used as make up water for the process plant. This water may be discharged if it meets the required standards.

Over the LOM, mining the El Limón and Guajes open pits is expected to generate approximately 260 Mt of waste rock and 42 Mt of filtered tailings. Waste rock mined from the El Limón open pit is placed in the El Limón WRSF. Waste rock mined from the Guajes pit is stored in two WRSFs: the Guajes North WRSF and the Guajes West WRSF. Tailings are placed in the FTSF. Geochemical testing of 645 waste rock samples indicates 77% of the waste rock samples had neutralization potential ratios (NPR) >3 and are, thus, characterized as non-PAG. MML does not segregate PAG and non-PAG waste rock during mining.

To date, over 8 million tonnes of tailings have been placed in the FTSF. To address operational issues with filtered tailings, the Guajes North WRSF has been extended across the downslope side of the FTSF as additional support for the tailings.

The WRSFs are being developed by a combination of end dumping from platforms located at the WRSF crest elevation, or when possible bottom-up construction. Such WRSF construction (end dumping from high elevations on steep terrain) has parallels at many other mining operations located in mountainous regions. Final slopes will be graded to 2H:1V for closure.

Environmental and Social Permitting and Studies

All national, state, and municipal permits/authorizations required for the exploration, development, and operation of the ELG Open Pit and process plant have been received from the various levels of Mexican government. The ELG Underground has all necessary permits/authorization for mining.

The site experiences distinct wet and dry seasons and warm temperatures (year-round, mean temperatures above 18°C). Other than the human settlements in the area, the ELG operation is the only major potential source of dust and noise. The quality of local surface and ground water is affected by local mineralization. The main surface water features in the area are the Presa El Caracol, and the Rios Balsas and Cocula Rivers.

The ELG area is primarily occupied by deciduous forests, which represent approximately 63% of the land area. Modified ecosystem units, including tilled fields, pasturelands, and plantations, are reflective of the traditional use of the areas around the mine site where very little of the land is used for agricultural production. The flora sampling units within the Media Luna area reported 187 species distributed in 130 genera and 45 families. The fauna research study carried out in 90.62 ha of the Media Luna area reported a total of 103 species including: 8 amphibia, 14 reptiles, 17 mammals, and 66 birds. The Morelos Gold Property is within the 'Zopilote Canyon' ('Cañón del Zopilote'), which is one of nine bird conservation areas in Guerrero.

The ELG Mine Complex represents a large mining operation in México, with implications for the State of Guerrero - ELG's initial capital investment represents one of the largest investments in the State's recent history. In 2017, MML spent $226 million in procurement to Mexican firms, and paid $53 million in wages to 2,369 employees (including contractors); 98% of the workforce is from Mexico, including 63% from Guerrero and 52% from the local communities.

In addition, $1.3 million was invested in community projects. Land access for the ELG Mine Complex required the relocation of two villages - the community of Real de Limón was located within the 500 m safety buffer zone of the proposed El Limón pit and the community of La Fundición was located within the active mining area. Both communities were in Ejido Real del Limón lands. These communities were successfully relocated to a new area, approximately 5 km east of the mine site area.

MML environmental management plans are organized into an over-arching EMP covering all major aspects of the physical and biological environment, and some key social aspects. The EMP is included in contract tender packages/specifications (contractual requirement) and is available to all ELG Mine Complex personnel (employees and contractors).

A natural and industrial risk assessment was undertaken for the ELG Mine Complex in 2014. This study is still valid with the addition of El Limón Sur and the ELG Underground Mine. Overall, 19 public safety risks, and 51 environmental risks were identified. Each hazard scenario included a consideration of public safety, or environmental risks, or both as appropriate.

Environmental and social management plans implemented at the ELG Mine Complex site include, but are not limited to, the following:

- Environmental risks evaluation and monitoring
- Accident Prevention Plan
- Environmental Quality and Monitoring Program
- Contingency Response Plan
- Erosion and Sediment Control plan
- Flora Rescue and Conservation Plan
- Fauna Rescue and Relocation Plan
- Stakeholder consultation and participation (engagement design and strategies at local, regional and international levels)
- Reporting
- Government-led consultation and negotiations
- Response to emergencies, and blockade prevention and management
- Mine closure effects
- Management of in-migration and population effect

The next land use after mining is anticipated to be open land for basic farming/ranching, like much of the surrounding area except along the slopes of the filtered tailings storage facility and waste rock storage facilities, which will remain as exposed rock, which would be similar to natural talus slopes.

MML has involved stakeholders in the development of the ELG Mine Complex since 2010. Stakeholder engagement is one of the seven key components in MML's environmental and social management system. MML's Social Responsibility Team is in the communities each day providing a conduit for information from the community to MML and vice versa. The stakeholders in ELG fall into the following groups:

- **Directly affected stakeholders:** these stakeholders live in eight small communities located near the mine area: Nuevo Balsas, San Nicolas, La Fundición, Real de Limón, Atzcala, Balsas Sur, San Miguel Vista Hermosa (affected by exploration only) and Valerio Trujano.

- **Ejidatarios:** belong to five Ejidos in the ELG Mine Complex area – Ejido de Real de Limón, Ejido de Rio Balsas, Ejido de Atzcala, Ejido de Puente Sur Balsas and Ejido de Valerio Trujano. The Ejidos are legal entities some of which MML has signed long-term land leases and land purchase agreements to allow construction of ELG and associated facilities.

- **Interested stakeholders:** these are key interested stakeholders from three levels of government – municipal, state, and federal.

MML's operations have been interrupted several times by illegal blockades, most recently in November 2017. Operations were re-established in January 2018 with full access in April 2018. The November 2017 blockade was established by a minority of workers who tried to demand the Company change the union representation from CTM to the Los Mineros Union. It is the Company's position that the Los Mineros Union made unsubstantiated claims to damage Company relationships with local communities and, thereby, bolster their case for a change in union. As with many negative advertising campaigns, initially this tactic met with some success.

With a bit of time, MML's traditionally strong community relationships re-asserted themselves and it was community support that led to a circumventing of the union blockade in mid-January 2018 and a restart of operations. Community support for the Company continued to grow since the restart of operations in mid-January, as is evidenced by blockades of the 'blockaders' and a growing chorus for government intervention to provide the Company with unfettered access to all of its facilities. The Mineros Union withdrew its challenge for the change of union on April 2018, the blockades were removed and full access to the site and infrastructure were restored.

Capital and Operating Costs

ELG Mining Complex

Capital Cost Estimate

Capital cost for the ELG Mine Complex is based on the LOM plan used for operation of the ELG Mine Complex by Torex. The key results of the capital cost estimates (for mine, process facilities, site support, and growth) are outlined in the table below:

Capital Total Costs ($M)

	Total	2018	2019	2020	2021	2022	2023	2024
Sustaining								
Mine	70.5	16.9	25.3	21.7	3.9	1.4	1.3	
Sub-Sill Zone	3.4	0.1	3.1	0.2				
Process Plant	13.4	10.4	1.5	0.5	1			
Site Support and Exploration	16.3	10.4	2.4	1.3	0.9	0.6	0.4	0.3
Sub-total	***103.6***	***37.8***	***32.3***	***23.7***	***5.8***	***2***	***1.7***	***0.3***
Deferred Stripping	149.5	62.3	26.5	42.6	14.6	3.5		
Total Sustaining	**253.1**	**100**	**58.8**	**66.3**	**20.4**	**5.5**	**1.7**	**0.3**
Non- Sustaining								
SART	3.4	3.4						
Sub-Sill Zone	22.1	21.3	0.8					
Development	28.0	10.0	14.0	4.0				
Total Non-Sustaining	**53.5**	**34.7**	**14.8**	**4.0**				
Total	**306.6**	**134.7**	**73.6**	**70.3**	**20.4**	**5.5**	**1.7**	**0.3**

Operating Cost Estimate

The operating and maintenance costs for the ELG Open Pit operations are summarized by areas of the operation and shown in the table below. Cost centers include mine operations, process plant operations, G&A area and treatment & logistic costs. Operating costs were determined annually for the life of the mine. Actual labor rates and contractual supply rates as available are used as basis for the cost summary. No escalation was included. The table below shows the annual cost for a typical year, in this case year 2 - 2019.

Typical Year (Year 2 – 2019) Operating Costs by Area

	Ore Processed Tonnes	5,040,000
	Open Pit total Tonnes Mined	50,067,000
	Underground Ore Tonnes Mined	302,000
Mining Operations	**Annual Cost - ($M)**	**$/t Mined**
Drill	$17.13	$0.34
Blast	$18.85	$0.38
Load	$13.75	$0.27
Haul	$25.54	$0.51
Mine Indirect	$17.92	$0.36
Rehandling	$0.66	$0.01
Technical Services	$10.06	$0.20
		$/t Ore Mined
Underground	$26.68	$88.23
Subtotal Mining	**$130.58**	**$2.59**
Processing Operations	**Annual Cost - ($M)**	**$/t Ore Processed**
Crushing	$2.26	$0.45
Grinding	$27.24	$5.40
Leaching & Thickening	$29.31	$5.81
Carbon Handling & Refinery	$3.35	$0.66
Cyanide Destruction	$1.90	$0.38
Filtering	$12.13	$2.41
Tailing	$7.48	$1.48
Ancillary	$1.16	$0.23
Plant Indirect	$8.19	$1.62
SART	$3.60	$0.72
Subtotal Processing	**$96.62**	**$19.17**
Supporting Facilities		
Site Support (including Profit Share)	$50.79	$10.08
Treatment & Refinery	$1.85	$0.37
Subtotal Supporting Facilities	**$52.64**	**$10.44**
Total Mine Site Operating Cost	**$279.83**	**$55.52**

Economic Analysis

The results from the economic analysis for the ELG Mine Complex are shown below:

Projected Financial Metrics for the ELG Mine Complex 2018 to End of LOM ($M)

ELG Mine Complex NAV* at a 5% Discount Rate	**$705.8**
Sustaining CAPEX	**$253.1**
ELG Open Pits	$59.8
ELG Technical Services	$10.7
ELG UNDERGROUND	$3.4
ELG Plant	$13.4
ELG Site Support	$16.3
Deferred Stripping CAPEX	$149.5
Average OPEX, with Ag Credits (before royalties and inventory movement)	$512/oz
Average OPEX without the Ag Credits (before royalties and inventory movement)	$521/oz
AISC per oz Au	**$734**
Open Pit Mining Cost per Tonne Mined	$2.18
Underground Mining Cost per Tonne Mined	$100.88
Mining Cost per Tonne Processed	$15.67
Processing Cost per Tonne Processed	$19.94
Treatment & Refinery per Tonne Processed	$0.37
Metal Prices Used	
Gold - $/oz	$1,200
Silver - $/oz	$17
Copper - $/lb	$3
Exchange Rate	**$18 MXN : $1 USD**

*NAV = NPV less long-term debt plus cash on hand based on proven and probable reserves, before corporate initiatives.

Media Luna Project PEA

Economic analysis for the Media Luna Project is presented as a "standalone" in that no cost or revenue is considered for mining/processing of ore from the ELG Mine Complex within the financial modeling. However, the Media Luna Project considers the use of the existing ELG Mine Complex as required, and it is also assumed that "room" is made in the ELG processing plant to accommodate processing of the ML mineralized material.

The resulting economic indicators from this conceptual mining plan and an alternate mining method are outlined in this section. The PEA is preliminary in nature. It includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the results set forth in the PEA will be realized. Mineral resources that are not mineral reserves do not demonstrate economic viability.

Capital Cost Estimate

The accuracy of the process plant estimate is ±25% while the accuracy of the underground mining estimate is ±23%. Capital expenditure were defined as follows based on the commercial production date:

- Project capital is defined as all capital costs through to the end of the construction period (second quarter 2023) not including pre-commercial operating costs. This period is years 1 to 4 or 2020 to 2023.
- Pre-commercial capital cost is defined as all project capital cost, and operating cost less revenue generated prior to commercial production.
- Sustaining capital is defined as all capital expenditures after commercial production is obtained, start of the third quarter 2023.

The table below summarizes project capital costs.

Media Luna Project Capital and Pre-commercial Capital

	$M
Surface and Process Plant	$271.5
Underground Development	$225.0
Sub-Total Project capital	**$496.5**
Pre-Commercial Operating Cost	$92.5
Pre-Commercial Revenue	-$177.6
Total Pre-Commercial Capital	**$411.4**

Sustaining capital cost for the underground mining of the Media Luna mineral resource was estimated at $109 million.

No sustaining capital was estimated for the process plant and surface infrastructure at this level of study.

Operating Costs Estimate

Operating costs were built up based on anticipated labor and estimated consumption rates. The table below summarizes operating costs on a cost per mineralized tonne processed for the Media Luna Project by presenting a typical year of operations during the overlap with ELG Mine Complex and Media Luna Project only after ELG ore has been exhausted.

Operating Cost Summary for LOM of Project

	$/mineralized tonne
Underground Mining	$23.64
Process Plant	$23.47
Site Support	$14.11
Treatment & Refining	$10.03
Total	**$71.23**

Economic Analysis

The Media Luna Project economics were estimated using a discounted cash flow model. The financial indicators examined for the project included the NPV, IRR and payback period (time in years to recapture the initial capital investment). Annual cash flow projections were estimated over the life of the mine based on capital expenditures, production costs, transportation and treatment charges and sales revenue. Metal price assumptions are $1,200/oz gold, $17/oz silver, and $3.00/lb copper. The financial indicators for the Media Luna Project are based on a 100% equity case with no debt financing being assumed and are summarized in the table below.

Key Media Luna "Standalone" Project Data

Mineralized Material (kt)	30,937
Copper Grade (%)	1.03
Gold Grade (g/t)	2.58
Silver Grade (g/t)	27.59
Gold Equivalent (g/t)	4.77
Total Tonnes Mined (kt)	30,937
Process Plant (ML Feed only)	
Mineralized Material Processed (kt)	30,937
Bullion Production	
Gold Production (kozs)	849
Gold Recovery - %	33.1%
Silver Production (kozs)	1,372
Silver Recovery - %	5%
Copper Concentrate Production	
Copper Concentrate (kt)	1,124
Copper Production (klbs)	624,219
Copper Recovery %	88.8%
Gold Production (kozs)	1,333
Gold Recovery - %	52%
Silver Production (kozs)	19,212
Silver Recovery - %	70%
Total Production and Recoveries (Bullion + Copper Concentrate)	
Gold Production (kozs)	2,182
Gold Recovery %	85.1%
Silver Production (kozs)	20,585
Silver Recovery %	75%
Copper Production (klbs)	624,219
Copper Recovery %	88.8%
Metal Prices	
Copper ($/lb)	3.00
Gold ($/oz)	1,200
Silver ($/oz)	17.00
ML "Standalone" Economic Indicators Before-Taxes	
Revenues ($M)	4,517.7
Project Capital - ($M) (cost to construct project)	496.5
Mining Equipment/ Infrastructure/ Development ($M)	213.9
Process Plant ($M)	265.9
Owner's Cost ($M)	16.7
Pre-commercial Capital – ($M), Project Capital plus pre-commercial operating cost less pre-commercial revenue.	411.4
Sustaining Capital – ML ($M) including Mine Development	109.4
Mining Cost - ML ($/t mined)	23.64
Processing Plant ($/t processed)	23.47
Site Support ($/t processed)	14.11
Treatment & Refining Charges ($/t processed)	10.03
Total Operating Cost ($/t processed)	71.23
Average Cash Cost per oz Au Eq	596.08
Average AISC per oz Au Eq	619.34

ML "Standalone" Economic Indicators Before-Taxes	
NPV @ 0% ($M)	1,770
NPV @ 5% ($M)	977
NPV @ 8% ($M)	688
IRR %	37.3
Payback - years	5.3
ML "Standalone" Economic Indicators After-Taxes*	
NPV @ 0% ($M)	1,110
NPV @ 5% ($M)	582
NPV @ 8% ($M)	392
IRR %	27.3
Payback – years	5.8
*Taxes in the Media Luna Project financial model were calculated based only on costs and revenue related to the Media Luna Project.	

Muckahi Mining Method

In the Technical Report, Torex also presents the proprietary Muckahi mining method. The Technical Report describes Muckahi as well as using the Media Luna Project as a platform for comparison to demonstrate the potential benefits of utilizing Muckahi on this deposit, or any other deposit that does not employ caving methods. It is not intended to be seen as a trade-off study within the PEA. Muckahi is experimental in nature and has not been tested in an operating mine. Many aspects of the system are conceptual, and proof of concept has not been demonstrated. It includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Muckahi illustrates a potential for material improvement over conventional mining technologies. Using Media Luna as a demonstration example, the study indicates that utilizing Muckahi produces an improvement of 19% in after-tax IRR from 27% to 46%. (30% less underground mining capital, 20% less mine operating cost, and 60% reduction in time to achieve commercial production.) Please refer to the Technical Report for further details.

After many years of thought and design effort, Muckahi is now shifting to the underground testing phase. Manufacturing of the first of the prototype machines is underway, testing underground is scheduled to commence in Q1 2019. Torex looks forward to having a proof of concept before the Media Luna feasibility study work requires a commitment to mining method.

Exploration, Development, and Production

The current work program being carried out by Torex is designed to support the potential upgrade of mineral resources to a higher classification, and further evaluate outlying exploration targets. Work has been divided up into near mines, Media Luna and exploration and is summarized below:

- **Sub-Sill:** Continue infill drilling program and underground development to upgrade inferred and indicated mineral resources and complete a new resource model with the infill results. Continue expansion program.
- **ELG Deep Mineralization:** Implement drill program and study to exploit known and potential deep high strip ratio mineralization by underground mining. The study is to determine best method to exploit the mineralization, open pit or underground.
- **Media Luna:** Continue infill drilling program upgrade inferred mineral resources and complete a new resource model with the infill results.
- **Exploration:** Key aims of the program are to continue exploration efforts on previously-identified outlying prospects and exploration of outlying unexplored or lightly-explored target areas based on reconnaissance knowledge and generation of new targets through further geological work, test porphyry target.
- See also "*Material Properties – Morelos Gold Property – Developments Since Effective Date of Technical Report*".

RISK FACTORS

There are risks in every business and the mining industry has its own inherent risks. The following summarizes the principal risk factors that apply to the Company's business. Any one or more of such risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Safety and Security

As noted previously, the ELG Mine Complex and the Media Luna Project are located in the State of Guerrero, Mexico. Criminal activities in the region, or the perception that activities are likely, may disrupt the Company's operations, hamper the Company's ability to hire and keep qualified personnel and impair the Company's access to sources of capital. Risks associated with conducting business in the region include risks related to personnel safety and asset security. Risks may include, but are not limited to: kidnappings of employees and contractors; exposure of employees and contractors to local crime related activity and disturbances; exposure of employees and contractors to drug trade activity; and damage or theft of Company or personal assets including the Company's future gold shipments. These risks may result in serious adverse consequences including personal injuries or death, property damage or theft, limiting or disrupting operations, restricting the movement of funds, impairing contractual rights and causing the Company to shut down operations, all of which may expose the Company to costs as well as potential liability. Such events could have a material adverse effect on the Company's cash flows, earnings, results of operations and financial condition and make it more difficult for the Company to obtain financing, if needed. Although the Company has developed procedures regarding these risks, due to the unpredictable nature of criminal activities, there is no assurance that the Company's efforts are able to effectively mitigate risks and safeguard personnel and Company property effectively.

Local communities may be influenced by external entities, groups or organizations opposed to mining activities. Social acceptance remains strong and supportive of the ELG Mine Complex, however, the ELG Mine Complex does experience blockades from time to time. See "*General Development of the Business – Illegal Blockades*".

On February 11, 2016, the Company signed an agreement with the State Government of Guerrero for the provision of full-time police presence in the areas adjacent to the Company's Morelos Gold Property for a one-year term. Three check points were established with full-time police presence. The Company supported the program with infrastructure including lodging for the police and additional support in the form of transportation and vehicle maintenance. The Company assessed the need to continue the arrangement and it is unlikely that the Company will renew the agreement with the State Government of Guerrero.

Tension and violence in the surrounding communities fluctuates. On January 24, 2018, Quintin Salgado, a former employee of the Company until 2014, was killed in Nuevo Balsas by unknown assailants. On January 25, 2018, there was a killing at the crossroads of Tierra Colorada in Tepecuacuilco, near the entrance to the East Service Road. The Company was informed that the assailants left a written message threatening the incumbent CTM Union and their representatives in Nuevo Balsas. On January 26, 2018, seven of the Company's employees were kidnapped on the East Service Road by the Los Mineros Union supporters. Several hours later they were released unharmed. Shortly thereafter the Governor of Guerrero State intervened to restore law and order.

Illegal Blockades

Local communities may be influenced by external entities, groups or organizations opposed to mining activities or seeking to gain illegally from mining. Social acceptance of MML remains strong and supportive of the ELG Mine Complex, however, the ELG Mine Complex does experience blockades from time to time. Most recently, the Company's operations in the ELG Mine Complex were temporarily shut down because of the Blockade from the Los Mineros Union from November 3, 2017 until April 6, 2018. For more information on the recent blockades impacting the ELG Mine Complex and the Media Luna Project see "*– General Development of the Business – Developments in Fiscal 2018 – Blockade Ended and Full Access Restored*" and "*– General Development of the Business – Developments in Fiscal 2017 – Illegal Blockade*" and " *General Development of the Business – Illegal Blockades*".

The ELG Mine Complex has been blockaded three times since production started in 2016. In most cases the blockades have been short; with the root cause traced back to inequality or perceived inequality. There was very little economic inequality before the Morelos Gold Property was identified, and poverty was widespread. The ELG Mine Complex has brought new wealth to the area, and for some, the land leases, jobs, and business opportunities have created a distinctly improved set of economic outcomes. However, not everyone has been able to take advantage of these opportunities and for those who have not seen a dramatic change in their lifestyle, they now see others in their community with wealth that they do not have. This has been perceived as unfair by some members of the community, and most of the blockades to date have been an expression of that perceived unfairness. It is expected that the economic benefits of the ELG Mine Complex will reach more local citizens once the government's mining fund investments in the region, which is supported by royalties from the ELG Mine Complex, begin to have an impact. There is no assurance that the Company's efforts will be able to effectively mitigate such risks.

Ramp-up of the ELG Mine Complex

On March 30, 2016, the Company announced that it achieved commercial production and various factors will affect successful completion of the ramp-up of the ELG Mine Complex to full production of 14,000 tpd, including addressing a bottleneck in the SAG mill (currently achieving 93% of design rates). There is a capital expenditure solution that could close the gap to design rates, but it is not considered to be an effective use of capital. Instead, the Company will focus on squeezing out incremental improvements through enhancements to operating and maintenance practices. The design and construction of efficient processing facilities, including the successful continued operation and optimization of the processing plant, SART plant and other operational elements, the cost and availability of suitable machinery, supplies and skilled labour, the existence of competent operational management, the availability and performance of mining contractors and appropriately skilled and experienced consultants also can affect successful project ramp up. While reasonable precautions will be taken, there can be no assurance that the processing plant, the SART plant, tailings filtration plant or other operational elements will not experience equipment failure. Further, there can be no assurance that the Company will have timely access to the high-grade material or that it will continue the development and associated construction of the ELG Underground, as planned, in a timely manner.

Fluctuations in Gold and other Metal Prices

The price of the Common Shares and the financial results and exploration, development and mining activities of the Company are significantly affected by the price of gold in the global market. The price of gold and other minerals fluctuates on a daily basis and is affected by numerous factors beyond the control of the Company, including but not limited to, the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the Canadian and U.S. dollars and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral-producing countries throughout the world and supply and demand dynamics including the cost of substitutes, inventory levels and carrying charges.

Gold prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them.

The success of the ELG Mine and further development and success of the Morelos Gold Property will be significantly dependent on the future price of gold. Economic evaluations underlying commercial viability of the Morelos Gold Property may be impacted by fluctuations in the price of gold, with a resulting impact on the Company's ability to finance the further development of the Morelos Gold Property.

Future price declines in the market value of gold and other minerals could cause the commercial production from the ELG Mine Complex and the development of, and commercial production from, other

projects on the Morelos Gold Property or any future properties to be financial impracticable. In addition to adversely affecting any mineral resource or mineral reserve estimate of the Company, reassessments of the feasibility of a particular project may be required, whether as a result of a management decision or under financing arrangements related to a particular project. Cash flow from mining operations may not be sufficient and the Company could be forced to discontinue development or production and may lose its interest in or may be forced to sell some of its properties. Even if a project is ultimately determined to be economically viable, the need to conduct a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Reliability of Resource and Reserve Estimates

The mineral resource estimates contained in this AIF are estimated quantities of measured, indicated and inferred mineral resources. The mineral reserve estimates contained in this AIF are estimated quantities of proven and probable mineral reserves that can be mined legally and economically and processed by extracting their mineral content under current conditions and conditions anticipated in the future. The Company determines the amount of its mineral resources and mineral reserves according to the applicable regulatory requirements and established mining standards.

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company's control. Such estimation is a subjective process and the accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data, the assumptions made and judgments used in engineering and geological interpretation. Mineral resource and mineral reserve estimates are also uncertain because they are based on limited sampling and not the entire ore body. In addition, there can be no assurance that gold or silver recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. There is no assurance that the estimated amount of mineral reserves will be recovered or that such minerals will be recovered at costs that the Company assumed in determining such mineral reserves.

As the Company gains more knowledge and understanding of an ore body through on-going exploration and mining activity, the mineral resource and mineral reserve estimates may change significantly, either positively or negatively. In particular, results of drilling, metallurgical testing, production, the evaluation of mine plans and fluctuations in gold or silver prices subsequent to the date of any estimate may require revisions of such estimate. Any material reductions in mineral resource or mineral reserve estimates or of the Company's ability to extract the mineral reserves could have a material adverse effect on the Company's results of operations and financial condition.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company is exposed to liquidity risks in meeting its operating expenditures in instances where cash positions are unable to be maintained or appropriate financing is unavailable. The primary sources of funds available to the Company are cash flow generated by the ELG Mine Complex, its cash reserves and any available funds under the Revolving Facility.

If operations at the ELG Mine Complex are shut down, depending on the length of such shut down, the Company may not be able to generate sufficient cash flow or have sufficient cash reserves to meet its obligations as they become due or satisfy the financial covenants under the Debt Facility, including but not limited to the minimum liquidity threshold, and service its debt on a timely basis. In addition, the Company may not be able to draw on any amounts available under the Revolving Facility. In such circumstances, the Company may consider a number of actions to reduce cash outflows, including suspending employment contracts in Mexico, managing payment terms with vendors, halting capital expenditures, and monitoring its debt and working capital. The Company may also have various options available to mitigate the risk of breaching the covenants under the Credit Agreement, including securing additional financing, deferring payments, renegotiation of the minimum liquidity and debt service

covenants with the Lenders, strategic investments, joint ventures and sale of assets. These options are necessarily based on the agreement of other parties outside of the Company's direct control. There can be no assurances that the Company would be able access additional financing, obtain any necessary waivers or consents from the Lenders or complete any strategic investments, joint ventures and sale of assets.

See also *"Risk Factors – Illegal Blockade"*, *"Risk Factors – Indebtedness"* and *"Risk Factors – Recovery of Value Added Taxes"*.

Price Fluctuations of Consumed Commodities

Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil and electricity, can fluctuate, and these fluctuations affect the costs of production at various operations. These fluctuations can be unpredictable, can occur over short periods of time and may have a material adverse impact on the Company's operating costs or the timing and costs of various projects.

Limited Number of Suppliers for Consumed Commodities

Certain raw materials and supplies used in connection with exploration, development and mining are obtained from a sole or limited group of suppliers (including, for example, truck tires and cyanide). An increase in global demand for such resources and a corresponding decrease in the supplier's inventory would likely cause unanticipated cost increases, an inability to obtain adequate supplies and delays in delivery times, thereby adversely impacting operating costs, capital expenditures and production schedules. If a supplier of an essential good or service is unable to adequately meet its requirements or a supplier is unable to adequately meet its requirements over a significant period of time and the Company is unable to source an alternate third-party supplier on reasonable commercial terms, this could have a material adverse effect on the Company's business, results of operations and financial condition.

Currency Exchange Rate Fluctuations

The Company operates in Canada and Mexico and has foreign currency exposure to non-denominated transactions in U.S dollars. The Debt Facility and certain other financing facilities are denominated in U.S. dollars. The Company expects a significant amount of exploration, capital development, operating and decommissioning expenditures associated with the Morelos Gold Property to be paid in Mexican pesos and U.S. dollars. A significant change in the currency exchange rates between the Mexican peso compared with the U.S. dollar could have a material adverse effect on the Company's results of operations in the future periods. The Company entered into the Peso Contracts to hedge a portion of its Mexican peso expenditures through the end of the first quarter of 2019. As the Company has significant cash and cash equivalents, VAT or "Impuesto al Valor Agregado" and accounts receivable, denominated in Mexican pesos and Canadian dollars, foreign exchange gains and losses occur when these currencies appreciate or depreciate, respectively, relative to the U.S. dollar. As at December 31, 2018, a 10% appreciation or depreciation of the Mexican peso and Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $0.7 million and $0.3 million in the Company's net income for the year, respectively. As at December 31, 2018, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of $0.3 million (using the spot rate as at December 31, 2018 of $19.7 Mexican pesos per U.S. dollar) in the Company's net income for the year, as a result of the change in the value of the Peso Contracts.

Capital and Operational Cost Estimates

The ELG Mine Complex has limited operating history upon which the Company can base estimates of future operating costs. Decisions about the development of this and other mineral properties in the future will ultimately be based upon technical studies. Technical studies derive estimates of cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of the ore to be mined and processed;
- anticipated recovery rates of gold, silver and other metals from the ore;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

It is important to note that the economic parameters described in technical studies include a number of assumptions and estimates that could prove to be incorrect. For example, capital costs, operating costs, production and economic returns and other estimates contained in studies or estimates prepared by or for the Company, may differ significantly from those anticipated by the Company's current studies and estimates and there can be no assurance that the Company's actual operating costs will not be higher than currently anticipated, including without limitation, the positive impact on operating costs expected to result from the operation of the SART plant. The Company's actual costs may vary from estimates for a variety of reasons, including: short-term operating factors; revisions to mine plans; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods and earthquakes; and unexpected labour shortages or strikes. Operational costs may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade metallurgy, labour costs, the cost of commodities, general inflationary pressures, currency exchange rates, availability and terms of financing, difficulty of estimating construction costs over a period of years, delays in obtaining environmental or other government permits and potential delays related to social and community issues. Many of these factors are beyond the Company's control. Failure to achieve estimates, or material increases in costs, could have an adverse impact on the Company's future cash flows, business, results of operations and financial condition.

Furthermore, delays in the construction and commissioning of mining projects or other technical difficulties may result in even further capital expenditures being required. Any delay in the development of a project or cost overruns or operational difficulties once the project is fully developed may have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence on Key Executives and Employees

The Company is dependent upon the services of key executives, including the directors of the Company. Additionally, the success of the Company's project exploration and development programs is to a significant degree directly dependent on the efforts and abilities of a small number of highly skilled and experienced executives, management, key employees and contractors whose expertise and competence is relied upon at management's discretion.

Shareholders rely on the good faith, experience and judgment of the Company's management and advisors in supervising and providing for the effective management of the business of the Company including the technical skill and experience of the operations personnel responsible for the successful continuation of the ramp-up of the ELG Mine Complex to full production, the exploration and development of the Media Luna Project, the exploration personnel responsible for locating additional mineral deposits, and the continued development and testing of Muckahi.

Due to the relatively small size of the Company, the loss of key persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations. The Company has developed and implemented human resource policies and guidelines which seek to establish a favourable work environment based on fair treatment principles, with a goal of

attracting and retaining key and skilled employees. There can be no assurance that the Company will be successful in achieving that goal and while the Company has implemented a succession plan, there is no assurance that the loss of one or more key employees, if not replaced, will not adversely affect the Company's project exploration and development programs, operations and financial condition.

Foreign Operations and Political and Country Risk

The Company's principal assets are located in Mexico and the Company's operations are therefore subject to Mexican federal and state laws and regulations. The risks normally associated with the conduct of business in foreign countries include various levels of political, regulatory, economic, social and other risks and uncertainties. Such risks may include, but are not limited to: local economic instability, high rates of inflation, emerging resource nationalism, restrictions on foreign ownership and activities, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits and contracts, illegal mining, limitations on repatriation of earnings or other currency controls, limitations on gold exports, labour or political unrest, invalidation of governmental orders, permits or property rights, corruption, sovereign risk, war or civil unrest (including between neighbouring states), military repression, civil disturbances, terrorist activity, piracy and other criminal acts, hostage taking, kidnapping, extortion and gang violence, the inability or unwillingness of state and federal authorities to enforce the law or reinstate and maintain the law and order, unanticipated changes in laws or policies, changes in monetary or taxation policies, regime change, the failure of foreign parties to honour contractual relations, foreign taxation, the timing of the Company's receipt of anticipated funds in respect of its VAT receivables, delays or inability to obtain necessary governmental permits and opposition to mining from environmental or other non-governmental organizations.

The activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, mine safety, toxic substances, land use, water use, land claims of local people, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, ownership of assets, limitations on repatriation of income and return of capital, increased financing costs, and other matters. Although the operation and exploration activities of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of mineral exploration, mining and milling or more stringent implementation thereof could have a material adverse impact on the Company. The effect of these factors cannot be accurately predicted, but, should they materialize, could create a situation adverse to the Company or which could undermine the ability of mining companies to operate successfully in Mexico.

The Company believes the present attitude of the Federal Government of Mexico and of the State Government of Guerrero to foreign investment and mining to be favourable, however variations from the current regulatory, economic and political climate could have a material adverse effect on the Company's activity at the ELG Mine Complex and the Media Luna Project. The Company is working to develop broad-based local support for the ELG Mine Complex and the Media Luna Project through initiatives, which include local community liaison activities established early in the development stage. The Company works with local stakeholders to realize shared objectives, although there is no assurance that social tensions with stakeholders such as the ejidos will not arise in the future.

There has been increased global attention and the introduction of regulations restricting or prohibiting the use of cyanide and other hazardous substances in mineral processing activities. In addition, the use of open pit mining techniques has come under scrutiny in certain mining jurisdictions, and some governments are reviewing the use of such methods. If legislation restricting or prohibiting the use of cyanide or open pit mining techniques were to be adopted in Mexico and/or the State of Guerrero, there

would be a significant adverse impact on the Company's results of operations and financial position. Additionally, if the use of cyanide were to be restricted or prohibited in Mexico and/or the State of Guerrero, it would have a significant adverse impact on the Company's results of operations and financial condition as there are few, if any, substitutes for cyanide that are as effective in extracting gold from the ore.

Mexico's legal and regulatory requirements in connection with companies conducting mineral exploration and mining activities, banking system and controls as well as local business culture and practices are, in particular, different from those in Canada. While the Company believes its exploration, development and exploitation activities are currently carried out in material compliance with all applicable rules and regulations, the officers and directors of the Company must rely, to a great extent, on the Company's Mexican legal counsel and local consultants retained by the Company in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations and to assist the Company with its governmental relations. The Company also must rely, to some extent, on those members of management and the Board who have previous experience working and conducting business in Mexico in order to enhance its understanding of and appreciation for the local business culture and practices in Mexico. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Mexico. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Mexico are beyond the control of the Company and may adversely affect its business.

On October 31, 2013, the Mexican Congress approved the 2014 Mexican tax reform package. Among other things, the reform enacted a 30% corporate income tax rate, broadened the tax base, eliminated the single rate business tax and introduced a tax-deductible mining royalty of 7.5% on taxable earnings before the deduction of interest, taxes, depreciation and amortization, with precious metal mining companies paying an additional 0.5% on precious metals gross revenue. In addition, a new 10% income tax withholding on dividend distributions will be imposed at the distributing corporation level. The Mexican tax reform package came into effect on January 1, 2014, applies on a prospective basis and therefore affects the future earnings of the Company's operations in Mexico. The Company recognized a significant deferred tax expense and associated liability in its financial statements due to the implementation of the Mexican tax reform package. On July 1, 2018, Andres Manuel Lopez Obrador was elected President of Mexico. In November of 2018, Angelica Garcia Arrieta, a senator in Mr. Lopez Obrador's Morena party, called for tougher regulations that included increased project surveillance and giving more powers to communities and government. As a result, Morgan Stanley downgraded some mining companies with operations in Mexico on concern that the new congress is considering as many as 11 bills or resolutions that could have a "material" impact. It is unclear whether these bills or resolutions will be enacted or if Mr. Lopez Obrador will impose further changes that could affect companies with mining operations in Mexico.

Due to its location in Mexico, the Morelos Gold Property depends, in part, upon the performance of the Mexican economy. As a result, the Company's business, financial position and results of operations may be affected by the general conditions of the Mexican economy, price instabilities, currency fluctuations, inflation, interest rates, regulatory changes, taxation changes, social instabilities, political unrest and other developments, in or affecting, Mexico over which the Company does not have control.

Tax regimes in Mexico may be subject to differing interpretations and are subject to change without notice. Based on the current political climate in North America, it is possible that there may be significant changes to regulatory, tax or legal regimes in Canada, the United States and/or Mexico. Such changes may have a material adverse effect on the Company's business or results of operations. In addition, the Company's interpretation of taxation law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, transactions may be challenged or revised by tax authorities and the Company's operations may be assessed, which could result in significant additional taxes,

penalties and interest. There is also a risk that restrictions on the repatriation of earnings from Mexico to foreign entities will be imposed in the future and the Company has no control over withholding tax rates.

These risks may limit or disrupt the Company's consolidated operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation. In the event of a dispute arising from such activities, the Company may be subject to the exclusive jurisdictions of courts outside Canada or may not be successful in subjecting persons to the jurisdiction of the courts in Canada, which could adversely affect the outcome of a dispute.

The Company's operations and investments could also be negatively affected by changes in Canadian laws and regulations relating to foreign trade, investment and taxation. The Company currently does not have political risk insurance.

Limited Operating History

Prior to the ELG Mine Complex achieving commercial production, the Company has not had an interest in mineral producing properties. The Company has committed and will continue to commit significant resources to the ELG Mine Complex and has a capable management team to guide the Company through the continued ramp up to full production. However, as stated above technical studies include a number of assumptions and estimates. As the processing plant continues through the ramp-up process, the ELG Underground continues development and associated construction, adjustments are made to the SART plant, enhancements to operating and maintenance practices continue, the management team will continue to increase their knowledge as to the accuracy of those assumptions and estimates. This process will continue to unfold until the ramp up of the processing plant and optimization is completed and steady state operations are achieved. Accordingly, there can be no assurance that the ELG Mine Complex will be brought to a stage of full production where the mineral resources or mineral reserves can profitably be exploited as contemplated in the Technical Report as updated from time to time in the Company's continuous disclosure documents.

The Company recorded revenues from its operations from the ELG Mine Complex from the commencement of commercial production on March 30, 2016 (April 1, 2016 for accounting purposes) and prior to 2016, it operated at a loss. In 2016, the Company operated at a profit; however, in 2017 the Company operated at a loss, largely due to fewer ounces sold and higher costs without corresponding ounces produced due to the Blockade which commenced in November 2017. In 2018, the Company returned to operating at a profit recording a net of $23.2 million for the year. There can be no assurance that the Company will maintain profitability or that the ELG Mine Complex or any of the properties the Company may hereafter acquire, obtain an interest in, or develop, will generate earnings, operate profitably or provide a return on investment in the future. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate. There can be no assurance that significant additional losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as more consultants, personnel and equipment associated with advancing exploration, development and exploitation of its properties are required. The amount and timing of expenditures will depend on the progress of ongoing exploration, development and production, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control.

In addition to the various risks discussed herein, there exist factors which may limit the ability of the Company to guide the ELG Mine Complex through the successful ramp-up of the processing plant to full production which operates profitably and once achieved, the continued steady state of operations**.** These various risks include the Company's ability to achieve the incremental improvements from planned enhancements to operating and maintenance practices, ability to enter into agreements with third parties

that can provide the necessary expertise as well as other project development related factors such as technical and engineering challenges.

Operating Cash Flow

On March 30, 2016, the Company announced that it achieved commercial production at the ELG Mine Complex and it does not have any other property in production and, accordingly, 2016 was the first year it had generated positive cash flow from operations. The Company has devoted significant resources to the development of the ELG Mine Complex, however, there can be no assurance that it will continue to generate positive cash flow from operations in the future. See also *"Risk Factors – Limited Operating History"*

Additional Financing

While the Company believes that it has sufficient sources of funds to continue underground development and associated construction activities, operating activities and working capital requirements of the ELG Mine Complex and the continued exploration of the Media Luna Project, the continued exploration and development of the ELG Underground, and the exploration of other potential targets on the Morelos Gold Project, there can be no assurance that the Company may not require additional funds. The Company began generating operating cash flow in the first quarter of 2016 and completed a public offering in the first quarter of 2018; however, there is no assurance that the operating cash flow will be sufficient to fund the operating expenses and continue the development and associated construction of the ELG Mine Complex or the continued exploration of the Media Luna Project, El Limón Deep and the Sub-Sill. No assurance can be given that additional funding, equity or debt would be available in the event that additional financing is needed to fund the operating expenses, continue the development of the ELG Mine Complex and associated construction or the continued exploration of the Media Luna Project, El Limón Deep and the Sub-Sill, beyond existing cash reserves. There can be no assurance that it could obtain additional financing in the future, if needed, or that the terms of such financing would be favourable. Failure to obtain such additional financing could result in delays or indefinite postponement of the completion of the remaining construction activities and the remaining operational elements of the ELG Mine Complex or the continued exploration of the Media Luna Project, ELD and the Sub-Sill.

Dilution

If the Company needs to raise additional financing, the Company may raise funds through the issuance of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares. The Company cannot predict the size of future issuances of Common Shares or the size or terms of future issuances of debt instruments or other securities convertible into Common Shares or, the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares. Sales or issuances of substantial numbers of Common Shares or the perception that such sales could occur may adversely affect prevailing market prices of the Common Shares. With any additional sale or issuance of Common Shares or securities convertible into Common Shares, investors will suffer dilution of their voting power and the Company may experience dilution of its earnings per share.

Indebtedness

The level of the Company's indebtedness, as well as the restrictive covenants and other limitations imposed under the indebtedness, could have an adverse impact on the Company's business including limiting its ability to obtain additional financing, making it difficult to satisfy its obligations, limiting its ability to pursue additional opportunities and making the Company more vulnerable to general adverse economic and industry conditions.

There can be no assurance that the Company will be able to generate sufficient cash flow over the required period to service its indebtedness on a timely basis or at all. If the Company is unable to service its indebtedness or if an event of default occurs under the Debt Facility or other indebtedness, the amounts

outstanding could become repayable in full if the Company is unable to obtain a waiver or extension. In such an event, the Company may not have sufficient cash resources or the ability to obtain additional funds in order to repay these amounts.

Under the terms of the Original Credit Agreement, the Company was restricted from repatriating funds from MML until an FCT was achieved. These restrictions have been removed under the Credit Agreement signed in 2017; however, distributions are limited to a maximum of $20.0 million on an annual basis. In addition, if the Company is unable to deliver a mine plan that is neither an RTR Compliant Mine Plan nor an RTR Floor Non-Compliant Mine Plan, there shall be cash sweeps and the Company shall be required to prepay outstanding credit in an amount equal to the RTR Prepayment Amount on each RTR Prepayment Date. If the Company delivers an RTR Floor Non-Compliant Mine Plan, the Waiver End Date shall have occurred and the lenders under the Credit Agreement shall have all of the rights and remedies available to them. Furthermore, it is an event of default under the Credit Facility if the Company is required to deliver a mine plan and fails to do so. See also *"General Development of the Business – Financings – Debt Facility"*.

Permits and Licenses

The Company is required to maintain in good standing a number of permits and licenses from various levels of governmental authorities in connection with the development and operations at the ELG Mine Complex, as well as its continued exploration program at the Media Luna Project. Necessary permits and licenses including, but not limited to, surface rights access and use, environmental impact authorization, forestry land use change authorization, a concession for the occupation of national assets, discharge permits, hazardous waste register, a land use license and a permit for the use of explosives are required in order to complete the development and to operate the ELG Mine Complex. Additional approvals will be required for the ongoing exploration of the Media Luna Project, as applicable. Additional land access agreement and approvals will be required to exploration additional targets on the Morelos Gold Property.

Although the Company has all required permits for its current operations, there is no assurance that delays will not occur in the renewal of certain permits and there is no assurance the Company will be able to obtain additional permits for any possible future changes to operations or further development of the ELG Mine Complex, including without limitation the permit for the mine production from the ELG Underground, or additional permits associated with new legislation. There is also no assurance that the Company can obtain or that there will not be delays in obtaining the environmental approval or permits necessary to develop any future projects.

To the extent such approvals or consents are required and are delayed or not obtained, the Company may be curtailed or prohibited from continuing its operations or proceeding with any further development. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration, development or exploitation of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies or more stringent implementation thereof could have a material adverse impact on the Company and cause increases in exploration expenses, capital and operating expenditures or require abandonment or delays in development or exploitation of mining properties.

Land Title

The Company has at this time secured the right to mine within the boundaries of the mining concessions it holds, in connection with the Morelos Gold Property; however, legal title and possession of the land is currently held by various ejidos and private parties. See "*Material Properties – Morelos Gold Property – Project Description, Location and Access*".

Further, MML has also entered into temporary occupation agreements with various ejidos and private parties enabling MML to carry out mining exploration, exploitation and benefication activities at the ELG Mine Complex and the exploration activities at the Media Luna Project. Any unremedied non-compliance with such agreements could result in the agreements being rescinded or a request for specific performance being made. Furthermore, while these agreements are legally enforceable, government authorities may be hesitant to enforce agreements against the ejidos and private parties and therefore it is important for the Company to maintain cordial community relations.

The Company's properties may be subject to prior unregistered liens, disputes, agreements, transfers or claims and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Company's consolidated business operations, condition and results of operations. In addition, should title issues arise over who is entitled to compensation that the Company has agreed to pay in order to acquire the mining rights to explore, develop and exploit the concessions, complainants may commence actions against the Company, MML or their employees in respect of such disputes. See also "*Risk Factors – Litigation*".

Recovery of Value Added Taxes

The Company is exposed to liquidity and credit risk with respect to its VAT receivables if the Mexican tax authorities are unable or unwilling to make payments in a timely manner in accordance with Company's monthly filings. Timing of collection on VAT receivables is uncertain as VAT receivable procedures require a significant amount of information and follow-up. Significant delays in the collection of VAT receivables may affect the Company's ability to fund the continued development and associated construction of the ELG Mine Complex and the development of the Media Luna Project. The Company's approach to managing liquidity risk with respect to its VAT receivables is to file its refund requests on a timely basis, monitor actual and projected collections of its VAT receivables, cooperate with the Mexican tax authorities in providing information as required, and if necessary, pursue any legal remedies it may have under applicable laws, including administrative appeals and litigation. There can be no assurance that the Company will receive the full amount of the VAT receivables.

Operations in Multiple Tax Jurisdictions

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in Canada, Luxembourg or Mexico, could result in an increase in the Company's taxes, or other governmental charges, duties or impositions, or an unreasonable delay in the refund of certain taxes owing to the Company. No assurance can be given that new tax laws, rules or regulations will not be enacted or that existing tax laws will not be changed, interpreted or applied in a manner that could result in the Company's profits being subject to additional taxation, result in the Company not recovering certain taxes on a timely basis or at all, or that could otherwise have a material adverse effect on us.

Nature of Mineral Exploration, Mine Development and Mining Operations Business

The exploration for and the development and exploitation of mineral deposits involves significant risks typical to such activity that even a combination of careful evaluation, experience and knowledge may not eliminate.

The success of the Company is directly related to its ability to acquire and maintain properties with sufficient mineral reserves. However, while the discovery of precious metals and other minerals may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. There is no certainty that the expenditures made by the Company towards the search and evaluation of precious metals and other minerals will result in discoveries of mineral resources, mineral reserves or any other mineral occurrences.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which include: the particular attributes of the deposit, such as quantity and quality of the minerals and proximity to infrastructure; mineral prices, which are highly cyclical and subject to fluctuation; actual costs required to bring a deposit into production; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, permitting, importing and exporting of minerals and environmental protection and reclamation. Additional challenges may be encountered due to technical, mechanical, logistical, transportation, security and labour force problems. The exact effect of these and other factors cannot be accurately predicted but could have a material adverse effect upon the Company's properties and operations.

The operations of the Company are subject to inherent hazards and risks normally encountered in the exploration, development and production of precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, failure of pit walls or dams, flooding, fire, discharge of pollutants or hazardous chemicals and industrial hazards and other conditions involved in the drilling, removal and processing of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to property or loss of life, environmental damage, delays in mining, delays in production, monetary losses and possible legal liability.

Reputational Risk

As a result of the increased usage and the speed and global reach of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users, companies today are at much greater risk of losing control over how they are perceived in the marketplace. Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity (for example, with respect to the Company's handling of environmental matters, the illegal blockade, or the Company's dealings with community groups), whether true or not. The Company places a great emphasis on protecting its image and reputation, but the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may lead to increased challenges in developing and maintaining community relations, decreased investor confidence and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, cash flows and growth prospects.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation under Mexican law and under laws of any other jurisdictions in which the Company may carry on business. These laws address, among other things, the maintenance of air and water quality standards and land restoration and reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. At the ELG Mine Complex, a water reservoir and river located near the mine development site have been considered by management in plan development to ensure that reasonable environmental measures are put in place to prevent contamination of ground water and the surrounding environment, however there can be no assurance that water contamination or related disturbances which may affect the residents of the local town will not occur. Leaks or discharges from containment systems may cause the Company to be subject to liability for cleanup work that may not be insured.

Environmental legislation in many countries is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's business, condition or operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Production at the ELG Mine Complex involves the use of cyanide or other reagents and exposes rock material that could cause toxicity to the environment if released or not properly managed. Should cyanide, other reagents, or contact water be improperly managed, leak or otherwise be discharged from the containment system, the Company may become subject to liability for clean-up work that may not be insured. While appropriate steps are taken to prevent discharges of pollutants into the ground water and the environment, the Company may become subject to liability for hazards that the Company may not be insured against.

Government approvals, approval of stakeholders including land ownership groups, aboriginal people and other members of surrounding communities, and licenses and permits are currently, and will in the future, be required in connection with the operations of the Company. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with development of the ELG Mine Complex or planned exploration or development of other mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Changes in Climate Conditions

Governments are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Regulation relating to emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If the current regulatory trend continues, the Company expects that this could result in increased costs at its operations. In addition, the physical risks of climate change may also have an adverse effect on the Company's operations. These risks include extreme weather events such as increased frequency or intensity of rainfall or prolonged drought which could have the potential to disrupt operations. Effects of climate change or extreme weather events could have negative impacts on the operations and exploration, including without limitation, stress on the water management system, limit the drilling programs or cause prolonged disruption to the delivery of essential commodities, which may cause the Company's production efficiency to be reduced.

The Company can provide no assurance that efforts to mitigate the risks of climate changes will be effective and that the physical risks of climate change will not have an adverse effect on the Company's operations and profitability.

Decommissioning and Reclamation Costs

The Company has established a decommissioning and reclamation plan for the ELG Mine Complex. The costs associated with these activities are significant and subject to change. If the Company is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Uncertainty Related to Inferred Mineral Resources and Exploration Potential

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no assurance that inferred mineral resources will be upgraded to mineral resources with sufficient geological continuity to constitute proven and probable reserves. There can be no assurance that exploration of mineral potential identified will result in any category of mineral resources being identified.

A PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the results set forth in a PEA will be realized.

Gold and silver price fluctuations, drilling results, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources or mineral reserves could have a material adverse effect on the results of the Company's operations or its financial condition.

Litigation

Defence and settlement costs of legal claims can be substantial, even with respect to claims that are without merit. Like most companies, the Company is subject to the threat of litigation and may be involved in disputes with other parties in the future which may result in litigation or other proceedings. The results of litigation or any other proceedings cannot be predicted with certainty. The Company is not currently involved in any material litigation or material disputes with other parties which it believes might result in litigation. Management is committed to conducting business in an ethical and responsible manner which it believes will reduce the risk of conflict and legal disputes with third parties. However, if the Company is unable to resolve future legal disputes favourably, it could have a material adverse effect on its consolidated financial position, results of operations or the Company's development of the Morelos Gold Property. See also "*Risk Factors – Land Title*".

Labour Relations

Production at the ELG Mine Complex is dependent on the efforts of, and maintaining good relationships with, the Company's employees and contractors. Relations between the Company and its employees may be impacted by changes in labour relations which may be introduced by, among other things, employee groups, unions and the relevant governmental authorities in Mexico. The mining industry in Mexico is highly politicized and the Company is situated in a region that is conflictive and unionized. Adverse changes in legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's business, results of operations and financial condition.

The Company has two collective bargaining agreements (each a "**CBA**") with the CTM Union, a reputable independent national union. The first CBA was entered into in order to have one central organization working with various local contractors and stakeholders, and to manage the distribution of temporary work during the construction phase of the ELG Mine Complex. Consistent with Mexican labour law, the wages within this CBA are negotiated annually and the benefits are negotiated every second year. The significance of this CBA reduced over time as the amount of construction has declined. The Company and CTM negotiated and signed an agreement regarding the wages for 2019 and the benefits for 2019 and 2020. This CBA was signed and ratified before the Mexican Labor Board on December 13, 2018.

The second CBA applies to the Company's labour and operator workforce. The Company and CTM negotiated and signed an agreement regarding the wages for 2018 and the benefits for 2018 and 2019. This agreement was ratified before the Mexican Labour Board on February 28, 2018. The Company and CTM subsequently negotiated and signed an agreement regarding the wages for 2019 and the benefits for

2019 and 2020. This CBA was signed and ratified before the Mexican Labour Board on November 22, 2018. See also "*General Development of the Business – Illegal Blockades*" regarding the application by the Los Mineros Union to take over the CBA and the related proceedings before the Mexican Federal Labour Board.

No History of Earnings or Dividends

Prior to 2016, the Company had no history of earnings and as such the Company has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including operating results, financial condition and anticipated cash needs.

Under the terms of the Original Credit Agreement, the Company was restricted from repatriating funds from MML until the FCT was achieved. These restrictions have been removed under the Credit Agreement; however, distributions are limited to a maximum of $20.0 million on an annual basis. See also *"General Development of the Business – Financings – Debt Facility"*

Infrastructure

Mining, processing, development and exploration activities depend, in varying degrees, on the availability of adequate infrastructure. Reliable roads, bridges, power sources, fuel and water supply and the availability of skilled labour and other infrastructure are important determinants, which affect capital and operating costs and can affect the development timeframe and cost of the ELG Mine Complex.

The ELG Mine Complex is situated in a region where other mining activity is developing. The ELG Mine Complex is within proximity to existing paved highways, with access to local power supply and located near established centres of supply for materials and workers. As part of the ELG Mine Complex development, an alternative transportation route from the main highway to the mine site was completed but, despite provision for back-up infrastructure, there can be no assurance that challenges or interruptions in infrastructure and resources will not be encountered. Where alternative infrastructure is not available, this may result in delays or other adverse effects on the ELG Mine Complex and the Company's other operations.

Additionally, unusual or infrequent weather phenomena, sabotage, governmental or other interference in the maintenance or provision of infrastructure could also adversely affect the consolidated business, operations, financial condition and results of operations of the Company.

Single Property Focus

The Company's goal is to develop the Media Luna Project, while exploiting the existing mineral resources and mineral reserves of the ELG Mine Complex, which projects form parts of the Morelos Gold Property. Unless the Company acquires additional property interests, any adverse developments affecting the Morelos Gold Property could have a material adverse effect upon the Company and would materially adversely affect the potential consolidated profitability, financial condition and results of operations of the Company.

Use of and Reliance on Experts Outside Canada

The Company uses and relies upon a number of legal, financial, technical and industry experts outside of Canada as required. Some of these experts may not be subject to equivalent educational requirements, regulations and rules of professional conduct or standards of care as they would be in Canada. The Company manages this risk through the use of reputable experts, assessment of credentials and review of past performance where possible.

Competition

The international mining industry is highly competitive in all of its phases. The Company faces strong competition from other mining companies in connection with (i) the acquisition of mineral-rich properties producing or capable of producing, precious metals economically, (ii) technical expertise to find, develop and produce on such properties, (iii) skilled labour to productively operate such properties and (iv) available capital to finance development of such properties.

The Morelos Gold Property is located in a region of Mexico where competing mining companies also conduct business. Many of the competing companies operating within the region or within other regions where the Company may conduct its activities currently or in the future have a broader range of international activity and operations, greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may suffer a competitive disadvantage and be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all, unable to attract and retain the necessary technical expertise, unable to attract and retain experienced mining professionals, unable to attract and retain experienced labour or unable to secure necessary financing.

Hedging

Hedge and derivative products are generally used to manage risks associated with changes in commodity prices and foreign currency exchange rates. In accordance with the Company's gold and foreign exchange currency hedging program, the Company executed Gold Contracts and Peso Contracts required under the Project Loan Facility. The final outstanding ounces under the Gold Contracts were delivered in July 2017. The remaining Peso Contracts were settled in the first quarter of 2019.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument or its fair value will fluctuate because of changes in market interest rates. The Company deposits the majority of its cash in fully liquid Schedule A bank business investment savings accounts. The Company does have interest rate risk relating to amounts drawn on the Debt Facility and certain other financing facilities. To mitigate the interest rate risk on the Debt Facility, the Company has entered into contracts to fix the Libor rate on a portion of the principal amount of the Term Loan.

Insurance and Uninsured Risks

The business of the Company is subject to a number of risks and hazards generally, including, but not limited to, adverse environmental conditions, industrial accidents, labour disputes, materials shortages, unusual or unexpected geological conditions, metallurgical or processing problems, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, fires, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability. Planned development at the ELG Mine Complex includes design of processes and operations to mitigate known risks, for example containment of potential spills through controlled procedures relating to storage and transportation of hazardous substances.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with a mining company's operations and insurance obtained may contain exclusions and limitations on coverage. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution, strikes, riots or civil commotion, or other hazards as a result of exploration, development and production is not generally

available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its business, consolidated financial condition and results of operations.

Price and Volatility of Public Stock

The market price of the Common Shares has experienced fluctuations which may not necessarily be related to the financial condition, operating performance, underlying asset values or growth prospects of the Company. Fluctuations in the Company's Common Share price may be affected by industry and market fluctuations such as short-term changes in the price of gold and other metals. The trading price may also be affected by factors and events such as the public's reaction to press releases, public announcements, effects of proposed equity offerings, the arrival or departure of key personnel, and alliances or joint venture arrangements. Accordingly, the market price of the Common Shares at a point in time may not accurately reflect the Company's long-term value. It may be anticipated that any market for the Common Shares will be subject to market and industry trends generally and the value of the Common Shares on the Toronto Stock Exchange (the "**TSX**") or such other stock exchange as the Common Shares listed, from time to time, may be affected by such volatility. If the Company requires additional financing, the Company's ability to obtain or secure financing may be adversely affected by market downturns, resulting in delays in project financing and consequently on project development timeframes.

Activist Shareholders

In recent years, publicly-traded companies have been increasingly subject to demands from activist shareholders advocating for changes to corporate governance practices, such as executive compensation practices, social issues, or for certain corporate actions or reorganizations. There can be no assurances that activist shareholders will not publicly advocate for the Company to make certain corporate governance changes or engage in certain corporate actions. Responding to challenges from activist shareholders, such as proxy contests, media campaigns or other activities, could be costly and time consuming and could have an adverse effect on the Company's reputation and divert the attention and resources of the Company's management and Board, which could have an adverse effect on the Company's business and results of operations. Even if the Company does undertake such corporate governance changes or corporate actions, activist shareholders may continue to promote or attempt to effect further changes, and may attempt to acquire control of the Company to implement such changes. If shareholder activists seeking to increase short-term shareholder value are elected to the Board, this could adversely affect the Company's business and future operations. Additionally, shareholder activism could create uncertainty about the Company's future strategic direction, resulting in loss of future business opportunities, which could adversely affect the business, future operations, profitability and the Company's ability to attract and retain qualified personnel.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company's directors understand that any decision made by any of such directors and officers involving the Company should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the applicable corporate and other laws, as amended or supplemented from time to time.

Credit Risk

The Company is exposed to various counterparty risks including through financial institutions that hold the Company's cash, through the Company's insurance providers, and through other parties that may have contract payment obligations to the Company. To mitigate exposure to credit risk, the Company has adopted strict investment policies, which prohibit any equity or money market investments. All of the Company's cash, cash equivalents, restricted cash, derivative contracts, and VAT receivables are with reputable financial institutions or government agencies and, as such, the Company does not consider its credit risk on these balances to be significant as at December 31, 2018. While these measures to mitigate credit risk are in place, there can be no assurance that the Company will not experience a loss due to a counterparty failing to satisfy its contractual obligations.

Compliance with Anti-Corruption Laws and ESTMA

The Company is subject to various anti-corruption laws and regulations such as the Canadian *Corruption of Foreign Public Officials Act*. In general, these laws prohibit a company and its employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. The ELG Mine Complex and the Media Luna Project are located in Mexico and, according to Transparency International, Mexico is perceived as having fairly high levels of corruption relative to Canada. The Company cannot predict the nature, scope or effect of future regulatory requirements to which the Company's operations might be subject or the manner in which existing laws might be administered or interpreted.

Failure to comply with the applicable legislation and other similar foreign laws could expose the Company and its senior management to civil and/or criminal penalties, other sanctions and remedial measures, legal expenses and reputational damage, all of which could materially and adversely affect the Company's business, financial condition and results of operations. Likewise, any investigation of any alleged violations of the applicable anti-corruption legislation by Canadian or foreign authorities could also have an adverse impact on the Company's business, financial condition and results of operations.

In addition, ESTMA, which became effective June 1, 2015, requires public disclosure of payments to governments by mining and oil and gas companies engaged in the commercial development of oil, gas and minerals who are either publicly listed in Canada or with business or assets in Canada. Mandatory annual reporting is required for extractive companies with respect to payments made to foreign and domestic governments at all levels, including entities established by two or more governments. ESTMA requires reporting on the payments of any taxes, royalties, fees, production entitlements, bonuses, dividends, infrastructure improvement payments, and any other prescribed payment over C$100,000. Failure to report, false reporting or structuring payments to avoid reporting may result in fines of up to C$250,000 (which may be concurrent). The Company was required to commence reporting under ESTMA in 2017. If the Company becomes subject to an enforcement action or is in violation of ESTMA, this may result in significant penalties, fines and/or sanctions, which may have a material adverse effect on the Company's reputation.

Enforcement of Legal Rights

The Company's material subsidiary is organized under the laws of Mexico and certain of the Company's directors, management and personnel are located in foreign jurisdictions. Given that the Company's material assets and certain of its directors and management personnel are located outside of Canada, investors may have difficulty in effecting service of process within Canada and collecting from or enforcing against the Company or its directors and officers any judgments issued by the Canadian courts or Canadian securities regulatory authorities and predicated on the civil liability provisions of Canadian securities legislation or other laws of Canada. Similarly, in the event a dispute arises in connection with the Company's foreign operations, including with respect to the ELG Mine Complex or Media Luna Project, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada.

Accounting Policies and Internal Controls

The Company prepares its financial reports in accordance with IFRS. In preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited financial statements. Management has implemented and maintains accounting systems and internal controls to provide a reasonable level of assurance that transactions are properly authorized, assets are properly safeguarded and transactions are properly recorded and reported. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

Muckahi

It is important to note that Muckahi is experimental in nature and has not been tested in an operating mine. Many aspects of the system are conceptual, and proof of concept has not been demonstrated. Drill and blast fundamentals, standards and best practices for underground hard rock mining are applied in the Muckahi, where applicable. The proposed application of a monorail system for underground transportation for mine development and production mining is unique to underground hard rock mining. There are existing underground hard rock mines that use a monorail system for transportation of materials and equipment, however not in the capacity described in the Technical Report. Aspects of Muckahi mining equipment are currently in the design stage. The mine design, equipment performance and cost estimations are conceptual in nature, and do not demonstrate technical or economic viability. The Company expects to complete the development and test the concept by the end of 2019 for the mine development activities and up to five years for the mine production activities (approx. second quarter 2023). Further studies would be required to verify the viability of Muckahi. Muckahi is not intended as a "trade off study" but is shown in the PEA to merely demonstrate the potential benefits Muckahi may have using the Media Luna deposit as an example.

The ability to develop and test Muckahi is dependent on available funding from Torex's resources including distributions from MML. The Debt Facility places restrictions on the amount that MML may distribute to Torex. There is no assurance that the Company will be able to complete the development and testing of Muckahi as planned.

DIVIDENDS

The Company has never declared or paid cash dividends on the Common Shares. Any future dividend payment will be made at the discretion of the Board and will depend on the Company's financial needs to fund its planned programs and its future growth and any other factor that the Board deems necessary to consider in the circumstances.

Distributions from MML to the Company are limited to a maximum of $20.0 million on an annual basis under the terms of the Credit Agreement completed in July 2017. See also *"Financings – Debt Financings"*.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares, of which as at March 29, 2019, there were 85,155,275 Common Shares issued and outstanding. Holders of Common Shares are entitled to receive notice of any meetings of the holders of Common Shares of the Company and to attend and to cast one vote per Common Share held at all such meetings.

Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors. Holders of Common Shares are entitled to receive on a *pro rata* basis such dividends, if any, as and when declared by the Board at its discretion from funds legally

available therefore and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a *pro rata* basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

MARKET FOR SECURITIES

Common Shares

The Common Shares are listed and traded on the TSX under the symbol "TXG". The following table sets forth, for the year ended December 31, 2018, the reported high and low prices and the aggregate volume of trading of the Common Shares on the TSX.

Month	High (C$)	Low (C$)	Volume
January	$14.58	$10.12	15,170,919
February	$13.34	$9.86	8,751,695
March	$10.08	$7.29	11,046,736
April	$13.99	$7.59	10,659,331
May	$14.01	$12.21	5,326,340
June	$13.52	$11.15	7,454,464
July	$12.2	$8.97	6,183,748
August	$9.82	$7.52	6,345,099
September	$11.59	$8.36	5,789,298
October	$13.77	$10.60	5,982,633
November	$12.65	$9.83	8,888,530
December	$13.02	$10.41	8,836,333

The price of the Common Shares as quoted by the TSX at the close of business on March 29, 2019 was C$16.82 per share.

Prior Sales

In the most recently completed financial year, the Company issued or granted the following securities convertible into Common Shares.

Month of Issue	Type of Security	Number Issued	Issue/Exercise Price ($)	Reason for Issuance
January 2018…….....	Stock Options	126,394	$12.46	Grant of Stock Options
	Restricted Share Units	46,149	$12.46	Issue under the RSU Plan(1)
	Restricted Share Units	205	$12.53	Issue under the ESU Plan(2)
	Performance Share Units	307	$12.53	Issue under the ESU Plan
	Restricted Share Units	119,752	$12.46	Issue under the ESU Plan
	Performance Share Units	179,629	$12.46	Issue under the ESU Plan
	Common Shares	2,295	N/A	Issue under the RSU Plan
February 2018…….	Common Shares	5,025,500	$12.60	Issue in connection with the bought deal offering
March 2018…….	Common Shares	13,162	N/A	Issue under the RSU Plan
April 2018…….....	Restricted Share Units	80,385	$7.91	Issue under the ESU Plan
	Performance Share Units	95,556	$7.91	Issue under the ESU Plan
May 2018……	Common Shares	7,379	N/A	Issue under the RSU Plan
June 2018……	Common Shares	9,524	N/A	Issue under the RSU Plan
September 2018….....	Restricted Share Units	155	$9.25	Issue under the ESU Plan
	Performance Share Units	232	$9.25	Issue under the ESU Plan
October 2018…….....	Common Shares	5,000	$11.40	Exercise of Stock Options
November 2018….....	Restricted Share Units	23,776	$11.45	Issue under the ESU Plan
	Performance Share Units	35,661	$11.45	Issue under the ESU Plan

Notes:
(1) Refers to the Restricted Share Unit Plan of the Company.
(2) Refers to the Employee Share Unit Plan of the Company.

DIRECTORS AND OFFICERS

The following table sets forth the name and province and country of residence of each director and executive officer of the Company, as well as such individual's position with the Company, principal occupation within the five preceding years and period of service as a director (if applicable). Each of the directors of the Company will hold office until the next annual meeting of shareholders of the Company unless his or her office is earlier vacated. As of March 29, 2019, an aggregate of 398,371 Common Shares (representing less than 1% of all issued and outstanding Common Shares as of March 29, 2019) are beneficially owned, controlled or directed (directly or indirectly) by all of the directors and executive officers of the Company, as a group.

DIRECTORS

A. Terrance MacGibbon Ontario, Canada Chairman of the Board Independent Director since: November 16, 2009 Committees: Member, Health and Safety	**Principal Occupation**: Executive Chairman, TMAC Resources Inc. ("**TMAC**") **Professional Designations & Education**: Professional Geologist; Certified Director (ICD.D); and Bachelor of Science (Geology) from St. Francis Xavier University. Terry MacGibbon is a registered professional geologist and a certified director, Institute of Corporate Directors, with over 45 years of experience in the mining business. Mr. MacGibbon graduated with a B.Sc. (Hons.) in Geology from St. Francis Xavier University. Prior to 1997, he was employed for 30 years with Inco, culminating in him being responsible for directing Inco's North American and worldwide exploration activities. Mr. MacGibbon is founder and was the Chairman and Chief Executive Officer of FNX from 1997 to 2010. Mr. MacGibbon and his team built FNX from a junior exploration company into a mid-tier, multi-billion-dollar, diversified Canadian mining company that produced nickel, copper, and precious metals from its mineral properties in Sudbury Basin mining camp, Ontario, Canada. In 2010, FNX merged with Quadra to form QUX and from May 2010 to March 2012, he was the Chairman of QUX, which was subsequently sold to KGHM in 2012. Mr. MacGibbon is a co-founder, and since 2006 the Chairman, of INV Metals Inc. ("**INV**"), a junior resources company exploring and developing the Loma Larga gold project in Ecuador. Mr. MacGibbon is a co-founder, and since 2010 a director and the Chairman, of the Company. He is the founder, and since December 2012 the Executive Chairman, of the TMAC and he serves as a member of its corporate social responsibility committee. In 2005, Mr. MacGibbon was awarded the prestigious PDAC's Developer of the Year award and in 2005 Ernst and Young honoured Mr. MacGibbon for FNX's successes with an Entrepreneur of the Year award. In 2018, Mr. MacGibbon was inducted into the Canadian Mining Hall of Fame. He has held directorships and senior executive positions in several TSX and TSX Venture Exchange listed mining companies.
Andrew B. Adams Ontario, Canada Director Independent Director since: November 26, 2009 Committees: Chair, Audit Member, Corporate Governance and Nominating	Principal Occupation: Professional Corporate Director, Financial Expert Professional Designations & Education: Chartered Accountant (United Kingdom); and Bachelor of Social Sciences (Accounting and Statistics) from Southampton University Andrew Adams is a corporate director and has over 30 years of international financial experience in extractive industries. He served as Chief Financial Officer of Aber Diamond Corporation from 1999 to 2003 and Chief Financial Officer of Anglo Gold North America from 1995 to 1999. From 2004 onwards, he has served as an independent, non-executive director on several Canadian mineral resource companies. Currently he serves as an independent, non-executive director of First Quantum Minerals Ltd. ("**First Quantum**") and TMAC. He is the audit committee chair and a member of the corporate governance and nominating committee for both of First Quantum and TMAC. He also serves as a member of compensation committee for TMAC. Mr. Adams obtained his Bachelor of Social Sciences (Accounting and Statistics) from Southampton University and then qualified as a Chartered Accountant in the United Kingdom in 1981.

James A. Crombie Nassau, Bahamas Director Independent Director since: March 28, 2011 Committees: Member, Compensation Member, Health and Safety	**Principal Occupation**: President and Chief Executive Officer and a director of Odyssey Resources Limited **Professional Designations & Education**: Bachelor of Science Hons. (Mining Engineering) from the Royal School of Mines, London Jim Crombie is a mining engineer with over 30 years of broadly based experience in the mining industry. Mr. Crombie has held several senior executive positions with various mining companies, including Hope Bay Gold Corporation, Palmarejo Silver & Gold Corporation until its merger with Coeur d'Alene Mines, and was a mining analyst and investment banker with Shepards, Merrill Lynch, James Capel & Co. and Yorkton Securities. Mr. Crombie is also currently a director of Sutter Gold Mining, of which he is a member of the nominating and compensation committee and a member of audit committee, and a director of Nickel Mines Limited. He graduated from the Royal School of Mines, London, with a Bachelor of Science (Hons).
Franklin L. Davis Ontario, Canada Director Independent Director since: November 26, 2009 Committees: Chair, Corporate Governance and Nominating Member, Audit	**Principal Occupation**: Counsel – Bennett Jones LLP **Professional Designations & Education**: Certified Director (ICD.D); Juris Doctor (J.D.), Master of Business Administration, Bachelor of Commerce from the University of Toronto. Frank Davis has been counsel to the law firm Bennett Jones LLP since March 2013. He was previously counsel to the law firm Fraser Milner Casgrain LLP ("**FMC**") from January 2011 to February 2013, and prior thereto was a partner of FMC, practicing principally in the areas of securities and capital markets, corporate finance, mergers and acquisitions, mining and corporate governance. Mr. Davis has represented various public companies and investment banking firms in public and private offerings of equity and debt securities. He has acted as counsel to offerors, target companies and financial advisors in both hostile and negotiated merger and acquisition transactions and has been active in a variety of takeover bids, mergers, acquisitions, amalgamations, arrangements and divestitures. Mr. Davis is currently a director of TMAC, of which he is chair of the compensation committee and corporate governance and nominating committee and a member of the audit committee. Mr. Davis holds a Bachelor of Commerce, Master of Business Administration and Juris Doctor from the University of Toronto. He is a certified director, Institute of Corporate Directors, and is included in The Best Lawyers in Canada, The Canadian Legal LEXPERT Directory, Who's Who Legal: Canada, The International Who's Who of Business Lawyers and Canadian Who's Who.
David A. Fennell Nassau, Bahamas Director Independent Director since: November 26, 2009 Committees: Member, Corporate Governance and Nominating Member, Environment & Corporate Social Responsibility	**Principal Occupation**: Professional Corporate Director **Professional Designations & Education**: Bachelor of Arts from the University of North Dakota and Bachelor of Laws (LLB) from the University of Alberta. David Fennell is a mining executive with over 30 years of experience in the mining industry and has held directorships and senior executive positions in several TSX and TSXV listed mining companies, including Golden Star Resources Ltd ("**Golden Star**") which he founded in 1983 and during his term as President and CEO, Golden Star became a TSE 300 company. Prior to February 2017, Mr. Fennell served as the Executive Chairman and Interim President and CEO of each of Reunion Gold Corporation and Odyssey Resources Limited and the Executive Chairman of Highland Gold Company Inc. Mr. Fennell currently serves as the Chairman of Reunion Gold Corporation, of which he also serves as a member of the safety, health and environment committee, and the Chairman of Highland Copper Company Inc. He is also a director of Sabina Gold and Silver, of which he is a member of the safety, health and environment committee and a member of the compensation committee. Mr. Fennell obtained a Bachelor of Arts from the University of North Dakota, then graduated from the University of Alberta with a Bachelor of Laws and practiced corporate and resource law for a number of years.

Michael D. Murphy British Columbia, Canada Director Independent Director since: April 23, 2008 Committees: Chair, Environment & Corporate Social Responsibility Member, Compensation	**Principal Occupation**: President and Chief Executive Officer of Global Battery Metals Ltd., and President of Woodman Capital Ltd., a private consulting company. **Professional Designations & Education**: Certified Director (ICD.D); Master of Business Administration from Saint Mary's University; Master of Science (Finance) from the London School of Economics and Political Science; and Bachelor of Arts from the University of British Columbia Michael Murphy is the President and Chief Executive Officer of Global Battery Metals Ltd., and President of Woodman Capital Ltd., a private consulting company. Mr. Murphy currently serves as an independent director of Ethos Gold Corp. Mr. Murphy previously spent 15 years working in institutional equities in London, with Merrill Lynch, Donaldson, Lufkin & Jenrette and Credit Suisse, where he managed the hedge fund coverage team. Mr. Murphy graduated from the University of British Columbia with a Bachelor of Arts, from the London School of Economics and Political Science with a Master of Science in Finance and from Saint Mary's University with a Master of Business Administration and he is a Certified Director (ICD.D).
William M. Shaver Ontario, Canada Director Independent Director since: August 10, 2016 Committees: Chair, Health and Safety Member, Environment & Corporate Social Responsibility	**Principal Occupation**: Chief Operating Officer, INV Metals Inc. since March 21, 2017 **Professional Designations & Education**: Professional Engineer; Bachelor of Science in Mining Engineering from Queens University; and a graduate of the Haileybury School of Mines. Bill Shaver is a seasoned senior mining executive with over 40 years of expertise in mine construction and operations. His early experience includes Teck, Eldorado Nuclear, New Quebec Raglan, Falconbridge and the Redpath Group working on many projects in roles of increasing responsibility. He was one of the founders of Dynatec Corporation which became one of the leading contracting and mine operating groups in North America. More recently, Mr. Shaver was the COO of FNX Mining from October 2008 to May 2010, Executive Vice President of Dension Mines Limited from August 2006 to September 2008, the President and CEO of DMC Mining Services from October 2008 to August 2016 and Principal, Shaver Engineering Limited from August 2016 to March 2017. Mr. Shaver served as the Chair of the Board Workplace Safety North since its inception in 2009 to 2015. He also sponsors scholarships for Masters and Doctorate students working in the safety area at Laurentian University. Mr. Shaver was recognized as the Ernst and Young Entrepreneur of the Year in 2013 for his devotion to bringing innovation to the mining industry.
Elizabeth A. Wademan Ontario, Canada Director Independent Director since: August 10, 2016 Committees: Chair, Compensation Member, Audit	**Principal Occupation**: Professional Corporate Director since August 8, 2016 **Professional Designations & Education**: Bachelor of Commerce from McGill University, CFA charterholder, Institute of Corporate Directors Director designation (ICD.D). Elizabeth Wademan is a corporate director with over 23 years of financial services experience as a senior capital markets executive. Ms. Wademan most recently spent 18 years in investment banking at BMO Capital Markets where she was one of the firm's most senior capital markets professionals, responsible for leading capital markets advisory and complex transactions. She focused on the global metals and mining and technology sectors and was Head of Global Metals & Mining Equity Capital Markets prior to retiring in 2016. As a former Managing Director in Investment Banking, Ms. Wademan has extensive experience in capital markets and strategic advisory as well as a deep expertise in commodities and securities markets. She currently serves on the boards of SSR Mining Inc., BSR Real Estate Investment Trust and St. Joseph's Health Centre Foundation. Ms. Wademan obtained her Bachelor of Commerce in Finance and International Business from McGill University. She is a CFA charterholder and is a holder of the Institute of Corporate Directors Director designation (ICD.D).

Frederick M. Stanford Ontario, Canada Director Non-Independent Director since: November 16, 2009 Committees: Nil	**Principal Occupation**: President and Chief Executive Officer of the Company since November 16, 2009 **Professional Designations & Education**: Professional Engineer (P.Eng.); Certified Director (ICD.D); and Bachelor of Science (Industrial Engineering) from the Technical University of Nova Scotia Fred Stanford is a mining executive with over 35 years of experience in the mining industry. Mr. Stanford started his career at Vale Canada Limited ("**Vale**", formerly Vale Inco and Inco Limited) in 1981 as a software designer and then moved into operations management as an underground mine foreman. He progressed through senior roles in mines operations, processing plant operations, engineering, environmental, health and safety, human resources, and production services operations. In 2006, he was appointed to the role of President of Vale's Ontario operations, a position he held until June of 2009. Mr. Stanford graduated in Industrial Engineering from the Technical University of Nova Scotia. Mr. Stanford is also a Certified Director (ICD.D). He has served on the board of directors of Laurentian University, Cambrian College and the Northern Centre for Advanced Technology (NORCAT), a non-profit commercial incubator.

OFFICERS

Frederick M. Stanford Ontario, Canada	See above.
Steven Thomas Ontario, Canada	**Principal Occupation**: Chief Financial Officer of the Company since April 2018 **Professional Designations & Education**: Bachelor of Science Accountancy & Economics from the University of Wales; Fellow of the Institute of Chartered Accountants. Steven Thomas is an accomplished finance executive with over 30 years of international corporate experience, particularly in operating mining companies where he has held positions of increasing responsibility. He joined the Company from Goldcorp Inc., where he held the role of CFO Canadian Operations, responsible for improving commercial performance and governance. Prior to that, he held the role of CFO of De Beers Canada Inc. for ten years where Mr. Thomas had a proven track record of delivering results and building, developing and leading finance teams, and co-developing the company's strategic direction in regards to business growth projects.
Jody Kuzenko Ontario, Canada	**Principal Occupation**: Chief Operating Officer of the Company since October 2018 **Professional Designations & Education**: Member of the Ontario Bar; Bachelor of Laws from the University of Western Ontario and an Honours Bachelor of Arts from McMaster University Jody Kuzenko is an experienced mining executive that joined the Company from Vale's Ontario Operations in Sudbury. She was most recently the Director, Business Strategy for the Vale Ontario Operations and immediately prior to that she was the Director of Refining Operations. She has spent the last 14 years of her career at Vale in various executive roles within the operations. She is an accomplished leader and will be able to draw on her extensive operations management experience in processing plants, transport functions, oxygen and acid plants, maintenance shops, hydro generation and distribution. She also has extensive experience in safety, health, environmental protection, labour negotiations and in working with indigenous communities. Interfacing with governments and regulatory authorities and her legal background round out the experience base that she will draw from as she leads the operations team through the implementation of operations management systems. Ms. Kuzenko is a founding Advisory Board member of the Centre for Research in Occupational Safety and Health (CROSH) at Laurentian University.

Dawson Proudfoot Ontario, Canada	**Principal Occupation**: Vice President, Engineering of the Company since March 2010 **Professional Designations & Education**: Professional Engineer; Bachelor of Applied Science Mining from Queen's University; Project Management Professional designation and Black Belt - Six Sigma. Dawson Proudfoot is a highly skilled mining engineer with over 25 years experience in the hard rock mining industry. His experience spans across a number of aspects of the industry from mine design, development, to operational. Prior to joining Torex, Mr. Proudfoot was with Xstrata Nickel, Sudbury Operations, which he joined in 1989 as a Planning Engineer. During his tenure with Xstrata, he held various positions of increasing authority, his most recent role as Engineering Superintendent for Sudbury Operations. During his career Mr. Proudfoot developed expertise in mine design (concept through to operation), mine infrastructure, leadership and staffing of technical team. He joined Torex in March 2010 (sabbatical from January 2013 to June 2014) and was responsible for the feasibility study for the ELG Mine and for the Media Luna PEA issued in 2012 and 2013, respectively, and subsequent updates.
Anne E. Stephen Ontario, Canada	**Principal Occupation**: Vice President, Human Resources of the Company since June 2013. **Professional Designations & Education**: Bachelor of Arts (Hons) from McMaster University Anne Stephen is a Human Resource professional with over 30 years' international experience working both as an executive and as a management consultant. She has worked in a variety of industries with companies such as AngloGold Ashanti, Oman Oil, Vale Inco, Vancity, BMO Financial Group, George Weston, Canadian Pacific Railway and Apple Computer. Ms. Stephen has helped business leaders to build efficient and effective work environments that are 20 - 30% more productive than their competition. Ms. Stephen has been a lecturer at the University of Toronto's Rotman School of Management and is a founding member of the Global Organization Design Society. Ms. Stephen was a consultant to the Company from January 2011 to June 2013.
Mary D. Batoff Ontario, Canada	**Principal Occupation**: General Counsel and Corporate Secretary of the Company since July 2014 **Professional Designations & Education**: Member of the Ontario Bar; Bachelor of Laws from the University of Western Ontario; and, Bachelor of Arts and Bachelor of Education from Queen's University Mary Batoff is a senior executive with over 20 years of experience with publicly traded companies in the mining and exploration sector. Her experience includes successfully leading multi-jurisdictional, debt, equity and restructuring transactions and providing advice and counsel to managers of capital construction projects and operations. Ms. Batoff served as the President and CEO of First Uranium Corporation from August 2012 to December 2013, a gold and uranium company and prior to that she served for over six years as its Vice President, Legal and Secretary. She also served as Vice President, Legal and Secretary for North American Palladium and as legal counsel and corporate secretary for TSX listed gold and base metal mining companies.

Mark Thorpe Colorado, U.S.A.	**Principal Occupation**: Vice President, Corporate Responsibility of the Company since January 2015 **Professional Designations & Education**: Ph.D. in mine land rehabilitation from the University of Saskatchewan Mark Thorpe is a senior mining executive with over 30 years working both in mining operations and as an international corporate responsibility consultant working on mining projects from potash to diamonds and gold. Prior to January 2015 he was Senior Vice President, Corporate Social Responsibility and Environmental Affairs with Golden Star from January 2013 and for three years prior to thereto he was Vice President Sustainability of Golden Star. His experience spans five continents and covers mining from greenfields exploration to closure and post-closure management. Having lived and worked in Latin America and Africa, Dr. Thorpe's experience includes permitting a mine in a tropical rainforest area of Venezuela with several regulatory changes and working with the project teams to reduce the lost time injury frequency rate at a mine in Africa from 2.1 per million hours worked to 0.15 per million hours worked.
H. Bernard Loyer Arizona, United States	**Principal Occupation**: Vice President, Projects since October 2017 Bernie Loyer joined the Company as Project Director, Mexico, in March 2015 and then served as Vice President, Latin American Operations of the Company from April 2016 to October 2017. Prior to March 2015, Mr. Loyer had been employed with Goldcorp Inc. commencing in April 2010 where he led the completion of the construction through to commercial production status. Then as VP Projects South America, he led both the El Morro and Cerro Negro Projects, the latter in Argentina beginning with engineering through construction and beyond commercial status. Prior to joining Goldcorp in early 2005, Mr. Loyer spent five years at FLSmidth Minerals serving as Vice President, Minerals Technology and Chief Product Officer where he was responsible for all global process technology, manufacturing and material handling. Prior to that he served 15 years with BHP Billiton, spending the last 10 years in Peru and Chile where he held operational leadership roles and led a number of projects. Mr. Loyer has served on the boards of various international companies including KOCH-MVT Material Handling, RAHCO International, Conveyor Engineering, Excel Foundry and CEIM Centro de Entrenamiento Industrial y Minero in Antofagasta, Chile.

Corporate Cease Trade Orders

No director or executive officer of the Company is, as of the date hereof, or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company), that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies and Other Proceeding

Other than as disclosed below, no director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as of the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Thomas served as Chief Financial Officer and Director of Archangel Diamond Corporation ("**Archangel**") from September 2006 to March 2010 as a nominee for the De Beers Canada Ltd., his employer during this period, and certain other members of the De Beers group. On June 26, 2009, three unsecured creditors of Archangel filed an involuntary petition (the "**Chapter 7 Petition**") against Archangel under Chapter 7 of the *United States Bankruptcy Code* (the "**Chapter 7 Proceeding**") in the United States Bankruptcy Court for the District of Colorado (the "**US Bankruptcy Court**"). Subsequent to the commencement of the Chapter 7 Proceeding, following negotiations between Archangel and certain of creditors of Archangel, an agreement was made to convert the Chapter 7 Proceeding into a Chapter 11 proceeding under Title 11 of the *United States Bankruptcy Code* within which Archangel would file a Plan of Reorganization. Those parties agreed that the Plan of Reorganization would provide for the transfer of all the assets of Archangel to a liquidating trust (the "**Trust**"), the extinguishment of all liabilities of Archangel, and the beneficiaries of the Trust would be the creditors and shareholders of Archangel. On September 4, 2009, the US Bankruptcy Court made an Order converting the Chapter 7 Proceeding into a Chapter 11 proceeding (the "**Chapter 11 Case**") and Archangel filed its original plan of liquidation. Archangel filed an amended plan of liquidation (the "**Plan**") on November 4, 2009. On December 17, 2009, the US Bankruptcy Court made an order confirming the Plan (the "**Confirmation Order**"). The Confirmation Order approved the treatment of creditors and equity holders of the corporation and established the binding legal effect of the Plan.

On January 25, 2010 Archangel filed an application with the Ontario Superior Court of Justice Commercial List) (the "**Ontario Court**") under Part IV of the Canada *Companies' Creditors Arrangement Act* for an order: (a) recognizing the Chapter 11 Case affecting Archangel in the United States Bankruptcy Court under Chapter 11 of Title 11 of the *United States Bankruptcy Code*; (b) recognizing the Confirmation Order of the US Bankruptcy Court confirming Archangel's Plan filed with the US Bankruptcy Court; and (c) declaring that Archangel has no assets, no liabilities and is not insolvent. On February 5, 2010 the Ontario Court issued its order (the "**Canadian Order**") recognizing the Chapter 11 Case and Confirmation Order and confirming Archangel's Plan. As the Plan had not been formally implemented pursuant to the Chapter 11 Case, the Canadian Order included a declaration stating that, upon implementation of the Plan, Archangel shall have no assets, no liabilities and will not be insolvent. As a result of the Confirmation Order and the Canadian Order, and upon implementation of the Plan, the Corporation no longer had any property, nor liabilities, and was not insolvent, as that term is defined under the *Bankruptcy and Insolvency Act* (Canada). No viable alternatives had been identified to continue Archangel and Archangel had no sources of revenue and no cash available to maintain its status as a public company. Archangel then sought approval of its shareholders to voluntarily dissolve the corporation and to apply to delist its common shares. On March 15, 2010, the shareholders of Archangel

approved the voluntary dissolution of the corporation and the delisting of Archangel's shares from the NEX trading board of the TSX Venture Exchange. On May 26, 2010, Archangel was dissolved.

Penalties or Sanctions

No director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

In the future, circumstances may arise where officers or members of the Board are directors or officers of corporations which are in competition to the interests of the Company. No assurances can be given that opportunities identified by such Board members will be provided to the Company. Pursuant to applicable law, directors who have an interest in a proposed transaction upon which the Board is voting are required to disclose their interests and refrain from voting on the transaction. See also "*Risk Factors – Conflicts of Interest*".

AUDIT COMMITTEE

Audit Committee Charter

The Charter of the Company's Audit Committee is set forth at Appendix "B" hereto.

Composition of the Audit Committee

The following directors have served as members of the Audit Committee for some or all of the period commencing on January 1, 2018 to the date hereof:

Andrew Adams	Independent(1)	Financially literate(1)
Frank Davis	Independent(1)	Financially literate(1)
Elizabeth Wademan	Independent(1)	Financially literate(1)

Notes:

(1) As defined by National Instrument 52-110 — *Audit Committees* ("**NI 52-110**").

Relevant Education and Experience

Each member of the Audit Committee has experience relevant to his responsibilities as an Audit Committee member.

	Education	Experience
Andrew Adams	Bachelor of Social Science (Accounting and Statistics) from Southampton University and a qualified Chartered Accountant in the United Kingdom	Currently serves as an independent non-executive director of First Quantum and acts as the audit committee chairman and as a member of the governance and nominating committee, and as an independent non-executive director of TMAC, of which he is chairman of the audit committee and a member of the governance and nominating committee and compensation committee. Previously served as chief financial officer in each of AngloGold North America and Aber Diamond Corporation.
Frank Davis	Bachelor of Commerce, Juris Doctor (JD) and Master of Business Administration, all from the University of Toronto; and, ICD.D, Institute of Corporate Directors	Currently counsel of the law firm Bennett Jones LLP and previously counsel and a partner of the law firm Fraser Milner Casgrain LLP, practicing principally in the areas of securities and capital markets, corporate finance, mergers and acquisitions and mining. Currently an independent non-executive director of TMAC of which he is chairman of the governance and nominating committee and the compensation committee, and a member of the audit committee.
Elizabeth Wademan	Bachelor of Commerce from McGill University, Chartered Financial Analyst from the CFA Institute, and, ICD.D, Institute of Corporate Directors	Currently serves as an independent non-executive director of SSR Mining Inc. of which she is chair of the compensation committee and a member of the safety and sustainability committee, and independent trustee of BSR Real Estate Investment Trust of which she is chair of the compensation, governance and nominating committee and member of the audit committee. She also serves as director and Campaign Cabinet Member of St. Joseph's Health Centre Foundation. She has over 20 years experience in financial markets with 18 years of investment banking. Previously she served as Managing Director, responsible for Global Metals & Mining Equity Capital Markets and Technology Equity Capital Markets at BMO Capital Markets until she retired in 2016.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completely financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services, as described in the Audit Committee Charter attached hereto as Appendix "B".

External Auditor Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

	2018	**2017**
Audit Fees[(1)]	C$504,536	C$487,460
Audit Related Fees[(2)]	C$40,000	C$240,498
Tax Fees		
Compliance[(3)]	C$32,134	C$47,027
Advisory[(4)]	C$47,908	C$98,869
Total tax	C$80,042	C$145,896
All Other Fees	nil	nil

Notes:

(1) Audit Fees relate to the audit of the Financial Statements, the audit of the annual Financial Statements of MML and services provided in connection with the review of interim unaudited financial statements.

(2) Audit Related Fees relate to procedures related to the base shelf prospectus, debt refinancing and adoption of new IFRS standards.

(3) Tax compliance involves preparation of original and amended tax returns, claims for refund, tax payment-planning services.

(4) Tax advisory services include assistance with tax audits and appeals, transfer pricing services, tax advice related to employee benefit plans and requests for rulings or technical advice from taxing authorities.

LEGAL PROCEEDINGS

There are no material legal proceedings or regulatory actions to which the Company is a party or of which any of the Company's properties are subject, nor have any such actions been pending during the most recently completed financial year of the Company. In addition, no such proceedings or actions are currently known by the Company to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this Annual Information Form, no director, executive officer or principal shareholder of the Company or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this Annual Information Form that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Company's the transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1.

MATERIAL CONTRACTS

There are no contracts of the Company, other than contracts entered into in the ordinary course of business, that are material to the Company and that were entered into by the Company within the most recently completed financial year or were entered into prior to such time and are still in effect, other than:

- the Credit Agreement dated July 21, 2017 between MML and BMO Harris Bank N.A., BNP Paribas, Commonwealth Bank of Australia, ING Bank N.V., Société Générale and The Bank of Nova Scotia (see "*General Development of the Business – Financings – Debt Facility*").
- On January 31, 2018, the Company entered into an underwriting agreement with BMO Nesbitt Burns Inc., together with Scotia Capital Inc., Canaccord Genuity Corp., Clarus Securities Inc., Desjardins Securities Inc., and RBC Dominion Securities Inc. (see "*General Development of the Business – Developments in Fiscal 2018*").

INTEREST OF EXPERTS

The scientific and technical information relating to the Morelos Gold Property has been derived from, and in some instances is an extract from, or is based on the Technical Report. A copy of the Technical Report is available under the Company's profile on SEDAR at www.sedar.com.

Each of Messrs. Daniel H. Neff, P.E., Robert Davidson, P.E., each of M3 Engineering & Technology Corporation; Paul Kaplan, P.E. of NewFields Mining Design & Technical Services; Bert J. Huls, P.Eng. of Huls Consulting, Inc.; Mark Hertel, SME Registered Member, of MPH Consulting; and Michael Levy, MSc., P.E., P.G., P.Eng, of JDS Energy & Mining Inc. are authors of the Technical Report and each is a "qualified person" within the meaning of NI 43-101.

Each of Messrs. Dawson Proudfoot, P.Eng., Vice President, Engineering of the Company, who is referred to in the sections "*Material Properties – Developments Since the Effective Date of the Technical Report*", "*Material Properties – Morelos Gold Property – Summary of the Technical Report*", "*Material Properties – Morelos Gold Property – Mineral Resource and Mineral Reserve Estimates – Mineral Reserve Statement, ELG Open Pit Mine – effective date March 31, 2018*", Clifford Lafleur, P.Eng., who is referred to in the sections "*Material Properties – Developments Since the Effective Date of the Technical Report*", "*Material Properties – Morelos Gold Property – Summary of the Technical Report*", "*Material Properties – Morelos Gold Property – ELG Underground Sub-Sill Zone Reserve – effective date December 31, 2017*", is an employee of the Company. Mr. James Joseph Monaghan was employed as Principal Mining Engineer of the Company during the preparation of the Technical Report. Each of Messrs, Proudfoot, Lafleur and Monaghan is an author of the Technical Report and is a "qualified person" within the meaning of NI 43-101. Dr. Lars Weiershauser, who is referred to in section "*Material Properties – Developments Since the Effective Date of the Technical Report*", is an employee of the Company and a "qualified person" within the meaning of NI 43-101.

Other than Mr. Levy and the employees of the Company referred to above, the aforementioned firms and persons held no securities of the Company or of any associate or affiliate of the Company at or following the time when they, as applicable: (i) prepared the Technical Report; and/or (ii) reviewed and approved the scientific and technical information set forth under the heading "*Material Properties – Morelos Gold Property*", and in each case did not receive any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation, review, confirmation and/or approval, as applicable, of the foregoing. Mr. Levy purchased in the market 736 Common Shares in the second quarter of 2017.

Other than the employees of the Company referred to above, none of the aforementioned persons, nor any directors, officers or employees of the aforementioned firms, are currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

KPMG LLP are the auditors of the Company and have confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

ADDITIONAL INFORMATION

Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com. Additional information, including information concerning directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management information circular of the Company dated May 10, 2018.

Additional financial information is provided in the Company's Financial Statements and MD&A for the year ended December 31, 2018.

APPENDIX "A" – GLOSSARY OF TECHNICAL TERMS

Full Name	Abbreviation
Slope ratio of 2 units of horizontal distance to one unit of vertical distance	2H:1V
Silver	Ag
ALS Chemex Labs, Ltd.	ALS
Ammonium Nitrate/Fuel Oil	ANFO
Gold	Au
Cut and Fill Stoping	C&F
Canadian Institute of Mining, Metallurgy and Petroleum	CIM
Carbon in Pulp	CIP
Confederation of Mexican Workers	CTM
Copper	Cu
Coefficient of variation	CV
Direct Current	DC
Degrees	°
Degrees Celsius	°C
El Limón Guajes Mine	ELG Mine or ELG
Environmental Management Plan	EMP
Iron	Fe
Iron Sulphide	Fe-S
Feasibility Study	FS
Filtered Tailing Storage Facility	FTSF
General and Administrative	G&A
Global Positioning System	GPS
Grams per dry metric tonne	gms/dmt
Grams per tonne	g/t or gpd
Hectare	ha
Diamond drill bit that produces 63.5 mm core	HQ
Internal Rate of Return	IRR
Metallurgy grinding size K80	K80
Kilogram	kg
Kilometer	km
Kilotonnes	kt
Kilowatt hour per tonne	kWh/t
Lerchs-Grossman	LG
Long Hole Open Stoping	LHOS
Life-of-mine	LOM
M3 Engineering and Technology Corp.	M3
Meter	m
Square meter	m^2
Cubic meter	m^3
Mechanized Overhand Cut and Fill	MCAF
Metric tonne	MT or Mt
Metric tonnes per day	tpd
Net Asset Value	NAV
National Instrument	NI
Diamond drill bit that produces 47.6 mm core	NQ
Neutralization Potential Ratio	NPR
Net Present Value	NPV
Potentially Acid Generating	PAG
Parts per million	ppm
Preliminary Economic Assessment	PEA
Quality Assurance and Quality Control	QA/QC
Qualified Person	QP
Reverse Circulation	RC
Run-of-mine	ROM
Semi-Autonomous Grinding	SAG

Full Name	Abbreviation
Secretaría de Medio Ambiente y Recursos Naturales (Secretariat of the Environment, National Resources)	SEMARNAT
Société Générale de Surveillance S.A.	SGS
Micrometer	um
Waste Rock Storage Facilities	WRSF

APPENDIX "B" – AUDIT COMMITTEE CHARTER

TOREX GOLD RESOURCES INC.

Mandate of the Audit Committee

Purpose

The Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Torex Gold Resources Inc. (the "**Corporation**") is appointed by the Board to assist the Corporation and the Board in fulfilling their respective obligations relating to the integrity of the internal financial controls and financial reporting of the Corporation.

Composition

1. The Committee shall be composed of three or more directors, as designated by the Board from time to time.

2. The Chair of the Committee (the "**Chair**") shall be designated by the Board or the Committee from among the members of the Committee.

3. The Committee shall comply with all applicable securities laws, instruments, rules and policies and regulatory requirements (collectively "**Applicable Laws**"), including those relating to independence and financial literacy. Each member of the Committee shall be independent within the meaning of National Instrument 52-110 – *Audit Committees*, and financially literate within the meaning of Applicable Laws.

4. Each member of the Committee shall be appointed by, and serve at the pleasure of, the Board. The Board may fill vacancies in the Committee by appointment from among the Board.

Meetings

5. The Committee shall meet at least quarterly in each financial year of the Corporation. The Committee shall meet otherwise at the discretion of the Chair or a majority of the members of the Committee, or as may be required by Applicable Laws.

6. A majority of the members of the Committee shall constitute a quorum. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, then, at the discretion of the members then present, the quorum for the adjourned meeting shall consist of the members then present (a "**Reduced Quorum**").

7. If, and whenever a vacancy shall exist in the Committee, the remaining members of the Committee may exercise all powers and responsibilities of the Committee so long as a quorum remains in office or a Reduced Quorum is present in respect of a specific Committee meeting. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

8. The Committee shall hold an *in camera* session without any senior officers present at each meeting of the Committee, unless such a session is not considered necessary by the members present.

9. The time and place at which meetings of the Committee are to be held, and the procedures at such meetings, will be determined from time to time by the Chair. A meeting of the Committee may be called by notice, which may be given by written notice, telephone, facsimile, email or other electronic communication at least 48 hours prior to the time of the meeting. However, no notice of a meeting shall be necessary if all of the members are present either in person or by means of telephone or web conference or other communication equipment, or if those absent waive notice or otherwise signify their consent to the holding of such meeting.

10. Members may participate in a meeting of the Committee by means of telephone or web conference or other communication equipment.

11. If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside. The Chair (or other Committee member, as applicable) presiding at any meeting shall not have a casting vote.

12. The Committee shall keep minutes of all meetings, which shall be available for review by the Board. Except in exceptional circumstances, draft minutes of each meeting of the Committee shall be circulated to the Committee for review within 14 days following the date of each such meeting.

13. The Committee may appoint any individual, who need not be a member, to act as the secretary at any meeting.

14. The Committee may invite such other directors, senior officers and employees of the Corporation and such other advisors and persons as is considered advisable to attend any meeting of the Committee. For greater certainty, the Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee.

15. Any matter to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Any action of the Committee may also be taken by an instrument or instruments in writing signed by all of the members of the Committee (including in counterparts, by facsimile or other electronic signature) and any such action shall be as effective as if it had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose. In case of an equality of votes, the matter will be referred to the Board for decision.

16. The Committee shall report its determinations and recommendations to the Board.

Resources and Authority

17. The Committee has the authority to:

    (a) engage, at the expense of the Corporation, independent counsel and other experts or advisors as is considered advisable;

    (b) determine, and pay the compensation for any independent counsel and other experts and advisors retained by the Committee;

(c) communicate directly with the independent auditor of the Corporation (the "**Independent Auditor**");

(d) conduct any investigation considered appropriate by the Committee;

(e) request the Independent Auditor, any senior officer or other employee of, or outside counsel for, the Corporation to attend any meeting of the Committee or to meet with any members of, or independent counsel or other experts or advisors to, the Committee; and

(f) have unrestricted access to the books and records of the Corporation.

Responsibilities

Financial Accounting, Internal Controls and Reporting Process

18. The Committee is responsible for:

(a) reviewing any management report on, and assessing the integrity of, the internal controls over the financial reporting of the Corporation and monitoring the proper implementation of such controls;

(b) reviewing and reporting to the Board on, or if mandated by the Board, approving, the quarterly unaudited financial statements, management's discussion and analysis ("**MD&A**"), press release and other financial disclosure related thereto that is required to be reviewed by the Committee pursuant to Applicable Laws;

(c) reviewing and reporting to the Board on the annual audited financial statements, the MD&A, press release and other financial disclosure related thereto that is required to be reviewed by the Committee pursuant to Applicable Laws;

(d) monitoring the conduct of the audit function;

(e) discussing and meeting with, when considered advisable to do so and in any event no less frequently than annually, the Independent Auditor, the Chief Financial Officer (the "**CFO**") and any other senior officer or other employee of the Corporation which the Committee wishes to meet with, to review accounting principles, practices, judgments of management, internal controls and such other matters as the Committee considers appropriate; and

(f) reviewing any post-audit or management letter containing the recommendations of the Independent Auditor and management's response thereto, and monitoring the subsequent follow-up to any identified weaknesses.

Public Disclosure

19. The Committee shall:

(a) review the quarterly and annual financial statements, the related MD&A, quarterly and annual earnings press releases and any other public disclosure documents that are required to be reviewed by the Committee pursuant to Applicable Laws;

(b) review and discuss with senior officers of the Corporation any guidance being provided on the expected future results and financial performance of the Corporation, and provide its recommendations on such guidance to the Board; and

(c) review from time to time the procedures which are in place for the review of the public disclosure by the Corporation of financial information extracted or derived from the financial statements of the Corporation and periodically assess the adequacy of such procedures.

Risk Management

20. The Committee should inquire of the senior officers and the Independent Auditor as to the significant risks or exposures, both internal and external, to which the Corporation is subject, and review the actions which the senior officers have taken to minimize such risks. In conjunction with the Board, the Committee should annually review the financial risks associated with the directors' and officers' third-party liability insurance, and other insurance, of the Corporation.

Corporate Conduct

21. The Committee should ensure that there is an appropriate standard of corporate conduct relating to the internal controls and financial reporting of the Corporation.

22. The Committee should establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls and auditing matters; and

(b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Code of Business Conduct and Ethics

23. With regard to the Code of Business Conduct and Ethics of the Corporation (the "**Code**"), the Committee should:

(a) review from time to time and recommend to the Board any amendments to the Code, and monitor the policies and procedures established by the senior officers of the Corporation to ensure compliance with the Code;

(b) review actions taken by the senior officers of the Corporation to ensure compliance with the Code, the results of the confirmations and the responses to any violations of the Code;

(c) if deemed appropriate by the Committee, investigations of suspected violations of the Code may be referred to the Corporate Governance and Nominating Committee;

(d) monitor the disclosure of the Code, any proposed amendments to the Code and any waivers to the Code granted by the Board; and

(e) review the policies and procedures instituted to ensure that any departure from the Code by a director or senior officer of the Corporation which constitutes a "material change" within the meaning of Applicable Laws is appropriately disclosed in accordance with Applicable Laws.

Whistleblower Policy

24. The Committee shall review from time to time the Whistleblower Policy of the Corporation to determine whether the Whistleblower Policy is effective in providing appropriate procedures

to report violations (as defined in the Whistleblower Policy) or suspected violations, and recommend to the Board any amendments to the Whistleblower Policy.

Monetary Authority Policy

25. The Committee shall review and assess from time to time the Monetary Authority Policy of the Corporation, and recommend to the Board any amendments to the Monetary Authority Policy.

Anti-Bribery and Anti-Corruption Policy

26. The Committee shall review and evaluate from time to time the Anti-Bribery and Anti-Corruption Policy of the Corporation to determine whether such policy is effective in ensuring compliance by the Corporation, its directors, officers, employees, consultants and contractors with the *Corruption of Foreign Public Officials Act* (Canada), the *Criminal Code* (Canada) and any other similar laws applicable to the Corporation, and recommend to the Board any amendments to the Anti-Bribery and Anti-Corruption Policy.

Independent Auditor

27. The Committee shall recommend to the Board, for appointment by shareholders, a firm of external auditors to act as the Independent Auditor and shall monitor the independence and performance of the Independent Auditor. The Committee shall arrange and attend, as considered appropriate and at least annually, a private meeting with the Independent Auditor and shall review and approve the remuneration of such Independent Auditor within the pre-approved fee threshold or such other amount approved by the Board.

28. The Committee shall ensure that the lead audit partner at the Independent Auditor is changed every seven years.

29. The Committee should resolve any otherwise unresolved disagreements between the senior officers of the Corporation and the Independent Auditor regarding the internal controls or financial reporting of the Corporation.

30. The Committee should pre-approve all audit and non-audit services not prohibited by law, including Applicable Laws, to be provided by the Independent Auditor. The Committee should review and determine the proposed fee thresholds for such services and make a recommendation on the fee thresholds to the Board for approval. The Chair may, and is authorized to, pre-approve non-audit services provided by the Independent Auditor up to a maximum amount of $25,000 per engagement.

31. The Committee should review the audit plan of the Independent Auditor, including the scope, procedures and timing of the audit.

32. The Committee should review the results of the annual audit with the Independent Auditor, including matters related to the conduct of the audit.

33. The Committee should obtain timely reports from the Independent Auditor describing critical accounting policies and practices applicable to the Corporation, the alternative treatment of information in accordance with International Financial Reporting Standards that were discussed with the CFO, the ramifications thereof, and the Independent Auditor's preferred treatment, and should review any material written communications between the Corporation and the Independent Auditor.

34. The Committee should review the fees paid by the Corporation to the Independent Auditor and any other professionals in respect of audit and non-audit services on an annual basis.

35. The Committee should review and approve from time to time the Corporation's hiring policy regarding partners, employees and former partners and employees of the present and any former Independent Auditor.

36. The Committee should monitor and assess the relationship between the senior officers of the Corporation and the Independent Auditor, and monitor the independence and objectivity of the Independent Auditor.

Other Responsibilities

37. The Committee should review and assess from time to time the adequacy of this mandate and submit any proposed amendments to the Board for consideration.

38. The Committee should perform any other activities consistent with this mandate and Applicable Laws as the Committee or the Board considers advisable.

Chair

39. The Chair should:

(a) provide leadership to the Committee and oversee the functioning of the Committee;

(b) chair meetings of the Committee (unless not present), including in-camera sessions, and report to the Board following each meeting of the Committee on the activities and any recommendations and decisions of the Committee, and otherwise at such times and in such manner as the Chair considers advisable;

(c) ensure that the Committee meets at least quarterly in each financial year of the Corporation, and otherwise as is considered advisable;

(d) in consultation with the Chairman of the Board (the "**Chairman**"), the Lead Director, if any, and the members of the Committee, establish dates for holding meetings of the Committee;

(e) set the agenda for each meeting of the Committee, with input from other members of the Committee, the Chairman, the Lead Director, if any, and any other appropriate individuals;

(f) ensure that Committee materials are available to any director upon request;

(g) act as a liaison, and maintain communication, with the Chairman, the Lead Director, if any, and the Board to co-ordinate input from the Board and to optimize the effectiveness of the Committee;

(h) report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;

(i) assist the members of the Committee to understand and comply with the responsibilities contained in this mandate;

(j) foster ethical and responsible decision making by the Committee;

(k) review, together with the Chairman of the Board, in advance of public release (i) any earnings guidance, and (ii) any press release containing financial information based upon financial statements and management's discussion and analysis that has not previously been released;

(l) consider complaints covered by the Whistleblower Policy, undertake an investigation of the violation or suspected violation of the Code or as defined in the Whistleblower Policy, and promptly report to the Committee and the Board any complaint that may have material consequences for the Corporation and, for each financial quarter of the Corporation, the Chair should report to the Committee and to the Independent Auditor, the aggregate number, the nature and the outcome of the complaints received and investigated under the Whistleblower Policy;

(m) together with the Corporate Governance and Nominating Committee, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;

(n) ensure appropriate information is provided to the Committee by the senior officers of the Corporation to enable the Committee to function effectively and comply with this mandate;

(o) ensure that appropriate resources and expertise are available to the Committee;

(p) ensure that the Committee considers whether any independent counsel or other experts or advisors retained by the Committee are appropriately qualified and independent in accordance with Applicable Laws;

(q) facilitate effective communication between the members of the Committee and the senior officers of the Corporation, and encourage an open and frank relationship between the Committee and the Independent Auditor;

(r) attend, or arrange for another member of the Committee to attend, each meeting of the shareholders of the Corporation to respond to any questions from shareholders that may be asked of the Committee;

(s) in the event a Chairman is not appointed by the Board at the first meeting of the Board following the annual meeting of shareholders each year, and the position of Chair of the Corporate Governance and Nominating Committee is vacant, serve as the interim Chairman until a successor is appointed; and

(t) perform such other duties as may be delegated to the Chair by the Committee or the Board from time to time.